



KING CETSHWAYO

DISTRICT MUNICIPALITY

**Annual financial statements
for the year ended 30 June 2020**

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

GENERAL INFORMATION

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water, sanitation & waste management) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1996) Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 1 of 2007)
Mayor	NNP Mkhulisi
Municipal Manager	MTB Ndlovu
Registered office	King Cetshwayo District Municipality Krugerrand, CBD RICHARDS BAY 3900
Business address	King Cetshwayo District Municipality Krugerrand, CBD RICHARDS BAY 3900
Postal address	Private Bag X1025 RICHARDS BAY 3900
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Senior Legal Advisor	G Dlamini
Municipal demarcation code	DC 28
Members of the audit committee	M Ncube - Chairperson RL Monyokolo P Mbanjwa

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INDEX AND LIST OF ABBREVIATIONS

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INDEX AND LIST OF ABBREVIATIONS

MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MDRG	Municipal Disaster Relief Grant
EQS	Equitable Share
WSIG	Water Services Infrastructure Grant
RUL	Remaining Useful Lives
RBIG	Regional Bulk Infrastructure Grant
MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Programme
RRAMS	Rural Roads Asset Management Systems
MPAC	Municipal Public Accounts Committee
FMG	Finance Management Grant
LGSETA	Local Government Sector Education Training Authority
AUC	Assets Under Construction
SARS	South African Revenue Services
VAT	Value Added Tax Act (Act No. 89 of 1991)
DWS	Department of Water and Sanitation

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STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 94, in terms of Section 126(1) of the Municipal Finance Management Act (Act no. 56 of 2003), read together with exemption notice no. 851 (Gazette No. 43582) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 and 38 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act no. 20 of 1998) and the Minister of Provincial and Local Government determination in accordance with this Act.

The King Cetshwayo District Municipality, situated in the central business district, Richards Bay, is a category C municipality established in terms of Section 12(1) of the Municipal Structures Act, 1998 (Act no. 117 of 1998).

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act (Act no. 56 of 2003), the annual financial statements were submitted to the Auditor General South Africa (AGSA) on 30 October 2020.

MTB Ndlovu
Municipal Manager

Richards Bay
Friday, 30 October 2020

King Cetshwayo District Municipality
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	2	13 089 304	10 515 341
Receivables from exchange transactions - consumer debtors	3	47 519 289	39 447 515
Receivables from exchange transactions - VAT	4	84 572 080	47 347 498
Receivables from non exchange transactions	5	15 775 982	16 635 507
Current portion of long term receivables from exchange transactions	6	49 193	53 188
Cash and cash equivalents	7	507 309 434	495 583 295
Investments in municipal entities	11	760 849	-
Investments in financial assets - shares	12	66 955	-
		669 143 086	609 582 344
Non-Current Assets			
Long term receivables from exchange transactions	6	66 063	116 181
Property, plant and equipment	8	2 593 299 248	2 402 474 083
Intangible assets	9	7 975 090	3 909 045
Heritage assets	10	700 000	700 000
Investments in municipal entities	11	-	726 877
Investments financial assets - shares	12	-	88 789
		2 602 040 401	2 408 014 975
Total Assets		3 271 183 487	3 017 597 319
Liabilities			
Current Liabilities			
Current portion of long term liabilities	13	7 528 864	6 669 522
Payables exchange transactions	14	359 730 672	235 175 358
Consumer deposits	15	10 100 052	10 058 400
Defined employee benefit obligations	16	801 000	1 166 000
Unspent transfers and subsidies	17	53 794 242	92 895 169
Provisions	18	7 180 037	1 591 182
		439 134 867	347 555 631
Non-Current Liabilities			
Long term liabilities	13	24 334 928	31 863 792
Defined employee benefit obligations	16	37 825 000	35 465 876
Provisions	18	71 695 225	75 155 263
		133 855 153	142 484 931
Total Liabilities		572 990 020	490 040 562
Net Assets		2 698 193 467	2 527 556 757
Accumulated surplus		2 698 193 467	2 527 556 758

* See Note 40

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	87 487 893	87 183 142
Rental income	20	53 565	56 506
Interest received	21	42 110 793	40 968 329
Other income	22	1 383 624	2 239 135
Gain on disposal of property, plant and equipment	8	-	254 956
Fair value adjustments in investments	11&12	13 138	47 933
Total revenue from exchange transactions		131 049 013	130 750 001
Revenue from non exchange transactions			
Transfers and subsidies	23	930 770 863	775 078 089
Donations	8&2	11 056 791	-
Total revenue from non exchange transactions		941 827 654	775 078 089
Total revenue		1 072 876 667	905 828 090
Expenditure			
Employee related costs	24	(233 451 489)	(225 009 660)
Remuneration of councillors	25	(12 962 831)	(11 679 483)
Depreciation, amortisation and impairment	26	(102 831 596)	(77 846 457)
Finance costs	27	(4 580 961)	(5 322 141)
Debt impairment	3	(6 259 592)	(8 753 607)
Bulk purchases	28	(75 545 639)	(39 704 190)
Transfers and subsidies	29	(2 000 000)	(19 355 000)
Contracted services	30	(352 248 652)	(357 988 648)
Operational costs	31	(111 916 198)	(118 243 458)
Loss on disposal of property, plant and equipment	8	(6 877 522)	-
Total expenditure		(908 674 480)	(863 902 644)
Surplus for the year		164 202 187	41 925 446

* See Note 40

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STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Balance as at 01 July 2018	2 484 435 224	2 484 435 224
Aggregated effect of prior year adjustment on assets - refer to note 40	1 196 088	1 196 088
Balance as at 01 July 2018 - restated	2 485 631 312	2 485 631 312
Surplus for the year - restated refer to note 40	41 925 446	41 925 446
	41 925 446	41 925 446
Balance as at 01 July 2019 - restated	2 527 556 749	2 527 556 749
Surplus for the year	164 202 187	164 202 187
Gain from transfer of functions between entities under common control - refer to note 44	6 434 531	6 434 531
	170 636 718	170 636 718
Balance at 30 June 2020	2 698 193 467	2 698 193 467

* See Note 40

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CASH FLOW STATEMENT

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Receipts from consumers and other		86 552 761	79 556 614
Transfers and subsidies		891 669 934	866 329 625
Interest income		42 110 793	40 968 329
		<u>1 020 333 488</u>	<u>986 854 568</u>
Payments			
Employee costs	24&25	(246 414 320)	(236 689 143)
Suppliers		(527 871 229)	(531 154 152)
Transfers and subsidies	29	(2 000 000)	(19 355 000)
		<u>(776 285 549)</u>	<u>(787 198 295)</u>
Net cash flows from operating activities	32	<u>244 047 939</u>	<u>199 656 273</u>
Cash flows from investing activities			
Payment for property, plant, equipment and intangibles		(222 298 451)	(192 106 654)
Insurance proceeds and proceeds from the sale of property, plant and equipment		31 304	950 089
Transfer of functions between entities under common control	44	1 141 717	-
Repayment of home loans (non-current/current receivables)	6	54 113	51 344
Net cash flows from investing activities		<u>(221 071 317)</u>	<u>(191 105 221)</u>
Cash flows from financing activities			
Repayment of long term liabilities		(6 669 522)	(5 928 342)
Finance costs		(4 580 961)	(5 322 141)
Net cash flows from financing activities		<u>(11 250 483)</u>	<u>(11 250 483)</u>
Net increase /(decrease) in cash and cash equivalents		11 726 139	(2 699 431)
Cash and cash equivalents at the beginning of the year		495 583 295	498 282 726
Cash and cash equivalents at the end of the year	7	<u>507 309 434</u>	<u>495 583 295</u>

* See Note 40

King Cetshwayo District Municipality
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	92 472 273	400 000	92 872 273	87 487 893	(5 384 380)	
Rental income	111 370	-	111 370	53 565	(57 805)	
Interest received	32 410 284	6 676 042	39 086 326	42 110 793	3 024 467	
Other income	1 205 827	1 640 461	2 846 288	1 383 624	(1 462 664)	39.1
Total revenue from exchange transactions	126 199 754	8 716 503	134 916 257	131 035 875	(3 880 382)	
Revenue from non exchange transactions						
Transfer revenue						
Transfers and subsidies	888 733 000	95 743 607	984 476 607	930 770 863	(53 705 744)	
Donations	-	-	-	11 056 791	11 056 791	39.2
Total revenue from non-exchange transactions	888 733 000	95 743 607	984 476 607	941 827 654	(42 648 953)	
Total revenue	1 014 932 754	104 460 110	1 119 392 864	1 072 863 529	(46 529 335)	
Expenditure						
Employee related costs	(233 958 756)	(5 947 605)	(239 906 361)	(233 451 489)	6 454 872	
Remuneration of councillors	(13 696 734)	733 899	(12 962 835)	(12 962 831)	4	
Depreciation, amortisation and impairment	(101 758 715)	-	(101 758 715)	(102 831 596)	(1 072 881)	
Finance costs	(4 580 963)	-	(4 580 963)	(4 580 961)	2	
Debt impairment	(7 611 741)	1 346 104	(6 265 637)	(6 259 592)	6 045	
Bulk purchases	(34 380 972)	(31 370 985)	(65 751 957)	(75 545 639)	(9 793 682)	39.3
Transfers and subsidies	(5 942 500)	3 942 500	(2 000 000)	(2 000 000)	-	
Contracted services	(250 087 185)	(111 484 445)	(361 571 630)	(352 248 652)	9 322 978	
Operational costs	(145 599 838)	31 256 013	(114 343 825)	(111 916 198)	2 427 627	
Total expenditure	(797 617 404)	(111 524 519)	(909 141 923)	(901 796 958)	7 344 965	
Operating surplus/(loss)	217 315 350	(7 064 409)	210 250 941	171 066 571	(39 184 370)	
Loss on disposal of property, plant and equipment	-	-	-	(6 877 522)	(6 877 522)	
Fair value adjustments in investments	-	-	-	13 138	13 138	
	-	-	-	(6 864 384)	(6 864 384)	
Surplus	217 315 350	(7 064 409)	210 250 941	164 202 187	(46 048 754)	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4 422 960	-	4 422 960	13 089 304	8 666 344	39.4
Receivables exchange transactions - consumer debtors	27 357 856	-	27 357 856	47 519 289	20 161 433	39.5
Receivables exchange transactions - VAT	-	-	-	84 572 080	84 572 080	39.5
Receivables from non exchange transactions	5 340 186	-	5 340 186	15 775 982	10 435 796	39.6
Current portion of long term receivables exchange transactions	43 879	-	43 879	49 193	5 314	
Cash and cash equivalents	399 893 400	-	399 893 400	507 309 434	107 416 034	39.7
Investments in municipal entities	-	-	-	760 849	760 849	39.8
Investments in financial assets - shares	-	-	-	66 955	66 955	
	437 058 281	-	437 058 281	669 143 086	232 084 805	
Non-Current Assets						
Long term receivables exchange	120 880	-	120 880	66 063	(54 817)	
Property, plant and equipment	2 913 265 431	45 346 284	2 958 611 715	2 593 299 248	(365 312 467)	39.9
Intangible assets	6 211 879	(208 452)	6 003 427	7 975 090	1 971 663	39.9
Heritage assets	700 000	-	700 000	700 000	-	
	2 920 298 190	45 137 832	2 965 436 022	2 602 040 401	(363 395 621)	
Total Assets	3 357 356 471	45 137 832	3 402 494 303	3 271 183 487	(131 310 816)	
Liabilities						
Current Liabilities						
Current portion of long term liabilities	7 528 813	-	7 528 813	7 528 864	51	
Payables exchange transactions	61 759 403	-	61 759 403	359 730 672	297 971 269	39.10
Consumer deposits	12 455 868	-	12 455 868	10 100 052	(2 355 816)	39.11
Defined employee benefit obligations	-	-	-	801 000	801 000	39.12
Unspent transfers and subsidies	-	-	-	53 794 242	53 794 242	39.13
Provisions	33 765 090	-	33 765 090	7 180 037	(26 585 053)	39.12
	115 509 174	-	115 509 174	439 134 867	323 625 693	
Non-Current Liabilities						
Long term liabilities	24 334 929	-	24 334 929	24 334 928	(1)	
Defined employee benefit obligations	-	-	-	37 825 000	37 825 000	39.12
Provisions	93 926 136	-	93 926 136	71 695 225	(22 230 911)	39.12
	118 261 065	-	118 261 065	133 855 153	15 594 088	
Total Liabilities	233 770 239	-	233 770 239	572 990 020	339 219 781	
Net Assets	3 123 586 232	45 137 832	3 168 724 064	2 698 193 467	(470 530 597)	
Reserves						
Accumulated surplus	3 123 586 232	45 137 832	3 168 724 064	2 698 193 467	(470 530 597)	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts consumers and other	112 754 912	(25 907 177)	86 847 735	86 552 761	(294 974)	
Transfers and subsidies	888 733 000	95 743 607	984 476 607	891 669 934	(92 806 673)	
Interest income	32 410 284	6 676 042	39 086 326	42 110 793	3 024 467	
	1 033 898 196	76 512 472	1 110 410 668	1 020 333 488	(90 077 180)	
Payments						
Employee costs	(247 655 490)	2 956 756	(244 698 734)	(246 414 320)	(1 715 586)	
Suppliers	(430 067 995)	(90 505 300)	(520 573 295)	(527 871 229)	(7 297 934)	
Finance costs	(4 580 963)	-	(4 580 963)	-	4 580 963	39.14
Transfers/subsidies	(5 942 500)	3 861 277	(2 081 223)	(2 000 000)	81 223	
	(688 246 948)	(83 687 267)	(771 934 215)	(776 285 549)	(4 351 334)	
Net cash flows from operating activities	345 651 248	(7 174 795)	338 476 453	244 047 939	(94 428 514)	
Cash flows from investing activities						
Payment for property, plant, equipment and intangibles	(370 534 755)	(45 137 832)	(415 672 587)	(222 298 451)	193 374 136	39.15
Insurance proceeds	-	-	-	31 304	31 304	
Transfer of functions between entities under common control	-	-	-	1 141 717	1 141 717	39.16
Repayment of home loans (non-current/current receivables)	4 699	-	4 699	54 113	49 414	
Net cash flows from investing activities	(370 530 056)	(45 137 832)	(415 667 888)	(221 071 317)	194 596 571	
Cash flows from financing activities						
Repayment of long term liabilities	(7 528 813)	-	(7 528 813)	(6 669 522)	859 291	39.17
Decrease in consumer deposits	(2 397 464)	-	(2 397 464)	-	2 397 464	39.18
Finance costs	-	-	-	(4 580 961)	(4 580 961)	39.17
Net cash flows from financing activities	(9 926 277)	-	(9 926 277)	(11 250 483)	(1 324 206)	
Net increase in cash and cash equivalents	(34 805 085)	(52 312 627)	(87 117 712)	11 726 139	98 843 851	
Cash and cash equivalents at the beginning of the year	354 429 955	-	354 429 955	495 583 295	141 153 340	
Cash and cash equivalents at the end of the year	319 624 870	(52 312 627)	267 312 243	507 309 434	239 997 191	

The detailed appropriation statement outlining the reconciliation of budget and in year performance is annexed in appendice G.

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and the figures in the statements have been rounded to the nearest rand. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied to all the years, in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.1.1 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Current and Non - Current Provisions.

1.1.2 Useful lives of property, plant, equipment and intangible assets

As described in accounting policies 1.6 & 1.8 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 Defined benefit plan liabilities

As described in accounting policy 1.4, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 16 to the financial statements.

1.1.4 Impairment of financial assets

The accounting policy 1.3 on financial instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

On receivables from exchange transactions consumer debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

The calculation in respect of the impairment of consumer debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per the approved council policy on credit control and debt collection.

ACCOUNTING POLICIES

1.1 Significant judgements and sources of estimation uncertainty (continued)

1.1.5 Revenue recognition

Accounting policy 1.13 on Revenue from Exchange Transactions and accounting policy 1.14 on Revenue from Non - Exchange Transactions describe the conditions under which revenue is recorded by the management of the municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.6 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is outlined in 1.3 below and is based in managements educated judgement.

1.1.7 Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

The accounting policies on impairment of non-cash generating assets 1.10 as well as inventory 1.12 describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of inventories to the lowest of cost and net realisable values (NRV).

1.2 New standards and interpretations - 1 April 2019

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The following new GRAP standards have been approved and effective

GRAP 20 - Related party disclosure

This standard of GRAP on related parties replaces the IPSAS 20 standard on related party disclosure and the municipality has applied the standard accordingly.

GRAP 108 - Statutory receivables

This standard deals with the prescribed accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables and the effect thereof. The standard is applicable to the municipality as such receivables have been identified in the financial year.

GRAP 109 - Accounting by principals and agents

This standard deals with the prescribed accounting requirements for transactions in a principal and agent relationship. The standard is not applicable to the municipality as no such transactions have been identified in the financial year.

The following new GRAP standards have been approved but are not yet effective

GRAP 34 - Separate financial statements

The objective of this standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when a municipality or entity prepares separate financial statements. The effective date is 1 April 2020 and is expected to have an impact on the municipality as the municipality currently has entities that require consolidations. The future impact of the standard is minimal as the remaining municipal entity is expected to be wound up by the next reporting date.

ACCOUNTING POLICIES

1.2 New standards and interpretations - 1 April 2019 (continued)

GRAP 35 – Consolidated financial statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when the entity controls one or more other entities.

To meet the objective in paragraph .01, this Standard:

- (a) requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- (b) defines the principle of control, and establishes control as the basis for consolidation;
- (c) sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- (d) sets out the accounting requirements for the preparation of consolidated financial statements; and
- (e) defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

The effective date is 1 April 2020. The standard will only effect the consolidated annual financial statements of the municipality. The future impact of the standard is minimal as the remaining municipal entity is expected to be wound up by the next reporting date.

GRAP 38 - Disclosure of interests in other entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

The effective date is 1 April 2020. The standard is expected to have an impact on the municipality as the municipality currently has entities that require consolidation.

GRAP 110 - Living and non-living resources

This standard prescribes recognition, measurement, presentation and disclosure requirements for living resources – Living resources are those resources that undergo biological transformation. The standard further prescribes disclosure requirements for non-living resources – Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

The effective date is 1 April 2020. No significant impact on the financial statements of the municipality is expected as the municipality does not anticipate that such resources will become part of the districts mandate.

Interpretations of the standards of GRAP approved and effective

IGRAP 17: Service concession arrangements where a grantor controls a significant residual interest in an asset

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. The interpretation has no material impact on the municipality's financial statements as such arrangements have not been entered into during the financial year.

ACCOUNTING POLICIES

1.2 New standards and interpretations - 1 April 2019 (continued)

IGRAP 18 - Recognition and derecognition of land

The objective of this interpretation is to provide guidance on when an entity should recognise and derecognise land as its asset. It is only applicable to land. It considers structures separately and applies applicable GRAP to land once control is assessed. The interpretation has no material impact on the municipality's financial statements as no land has been purchased or derecognised during the financial year.

IGRAP 19 - Liabilities to pay levies

The objective is to provide guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

The following approved standards of GRAP that entities are not required to apply

GRAP 18 - Segmental reporting (Municipalities and municipal entities are not required to apply)

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the municipality's historical performance and to identify the resources allocated to support the major activities of the municipality.

ACCOUNTING POLICIES

1.3 Financial instruments

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost
Long term receivables from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from non exchange transactions	Financial asset measured at amortised cost
Current portion of long term receivables from exchange transactions	Financial asset measured at amortised cost
Investment in municipal entities	Financial asset measured at amortised cost
Investments in financial asset shares	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost except for investments in financial assets measured at fair value through surplus or deficit.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost: If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

ACCOUNTING POLICIES

1.3 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.4 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual, included under current liabilities.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included in payables from exchange transactions.

Defined contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined benefit plans

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Other defined benefit plans

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 16 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

ACCOUNTING POLICIES

1.4 Employee benefits (continued)

These contributions are recognised in the statement of financial performance when employees have rendered the service entitling them to the contribution.

1.5 Provisions

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of future outflow of resources. Provisions are derecognised if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by consulting engineers. ect the current best estimate.

1.6 Property, plant and equipment

Initial recognition

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the assets at acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment for the purposes of depreciation.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Subsequent measurement

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The municipality does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when compensation becomes receivable.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
<hr/>		
Buildings -other	Straight-line	30 years
Buildings - permanent	Straight-line	30 - 50 years
Plant and equipment	Straight-line	2 - 15 years
Furniture	Straight-line	10 years
Motor vehicles	Straight-line	5 - 15 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	5 years
Infrastructure - plant and equipment	Straight-line	15 years
Infrastructure - sewerage services	Straight-line	50 years
Infrastructure - solid waste and cemetery services	Straight-line	15 years
Infrastructure - water services	Straight-line	20 - 50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

ACCOUNTING POLICIES

1.7 Heritage assets

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

Heritage assets are not depreciated however the municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.

1.8 Intangible assets

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost shall be measured at its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

ACCOUNTING POLICIES

1.8 Intangible assets (continued)

Subsequent measurement, amortisation and impairment

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<u>Item</u>	<u>Useful life</u>
Computer software, other	3-5 years

1.9 Investments financial assets - shares

An investment in a financial asset - shares is carried at fair value at each reporting date.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

1.10 Impairment of non-cash-generating assets

Identification of impairment

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.11 Leases

Operating leases - The municipality as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

1.12 Inventories

Inventories comprise current assets held for consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

ACCOUNTING POLICIES

1.12 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Subsequently inventories are measured at the lower of cost and, net realisable value or current replacement cost.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the statement of financial performance in the period in which the reversal occurs.

1.13 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion basis.

1.14 Revenue from non-exchange transactions

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

ACCOUNTING POLICIES

1.14 Revenue from non-exchange transactions (continued)

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.15 Tax

Tax expenses

The municipality is exempt from income tax in terms of section 10(1)(A) of the Income Tax Act.

Value - Added Tax (VAT)

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality. Permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

1.16 Grants in aid - transfers and subsidies

The municipality transfers money to individuals, organisations and other sectors of government from time to time.

When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.17 Statutory receivables

Identification

The municipality identifies statutory receivables as receivables that arise from legislation, supporting regulations and require settlement by another entity in cash or another financial asset.

The municipality recognises the carrying amount of the asset in the statement of financial position.

The municipality has the following categories under the ambit of statutory receivables:

Receivables from exchange transactions - consumer debtors (Air quality licences)

Receivables from exchange transactions -VAT

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions under accounting policy 1.13;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers) under accounting policy 1.14; or

ACCOUNTING POLICIES

1.17 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

1.18 Budget information

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Explanatory comments are provided in note 39 to the annual financial statements for a variance of 10% and greater than R500 000, providing reasons for the variance between actuals and budgets.

1.19 Unauthorised expenditure

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ACCOUNTING POLICIES

1.21 Irregular expenditure

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will result in the future outflow of resources. Capital commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 33, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

1.23 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The municipality applies GRAP 20 for related parties.

1.24 Transfer of functions between entities under common control

Assets transferred and liabilities assumed

As of the transfer date, the municipality recognise all the assets acquired and liabilities assumed in a transfer of functions. The assets transferred and liabilities assumed are measured at their carrying amounts.

The difference between the carrying amounts of the assets transferred and the liabilities assumed is recognised in accumulated surplus or deficit.

1.25 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.26 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.27 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.28 Events after reporting date

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
2. Inventories		
Consumable stores	559 998	568 370
Maintenance materials	4 645 329	3 478 118
Water - static tanks	1 606 580	-
Water stock	6 277 397	6 468 853
	13 089 304	10 515 341
Inventories recognised as an expense during the year.	8 315 280	3 972 393
The comparative figure for water stock has been restated by an amount of R4 671 779 from R1 797 074 to R6 468 853 - refer to note 40. The disclosure of inventories recognised as an expense has been restated from R3 239 582 to R3 972 393.		
Donated static water tanks from the Department of Co-operative Governance and Traditional Affairs and the Department of Water and Sanitation was received as part of the KZN water sector COVID-19 integrated plan, amounting to R2 070 146.		
No inventory was pledged as security.		
Carrying value of inventories carried at net realisable value	2 439 371	2 284 931
Write-down of inventories	1 337 455	158 703
3. Receivables from exchange transactions - consumer debtors		
Gross balances		
Water	70 688 868	64 995 364
Sanitation	12 049 848	9 968 287
Solid waste	6 126 704	4 708 366
	88 865 420	79 672 017
Less: Allowance for impairment		
Water	(34 972 002)	(33 809 411)
Sanitation	(5 109 908)	(6 032 250)
Solid waste	(1 264 221)	(382 841)
	(41 346 131)	(40 224 502)
Net balance		
Water	35 716 866	31 185 953
Sanitation	6 939 940	3 936 037
Solid waste	4 862 483	4 325 525
	47 519 289	39 447 515
Summary of debtors by service type		
Water		
Current (0 -30 days)	10 978 821	9 975 259
31 - 60 days	5 237 274	2 792 803
61 - 90 days	2 282 296	1 431 808
91 - 120 days	2 349 580	1 732 758
> 120 days	49 840 897	49 062 736
Less: Allowance for impairment	(34 972 002)	(33 809 411)
	35 716 866	31 185 953

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
3. Receivables from exchange transactions - consumer debtors (continued)		
Sanitation		
Current (0 -30 days)	684 951	662 599
31 - 60 days	439 333	321 210
61 - 90 days	302 918	234 798
91 - 120 days	303 889	219 418
> 120 days	10 318 757	8 530 262
Less: Allowance for impairment	(5 109 908)	(6 032 250)
	6 939 940	3 936 037
Solid Waste		
Current (0 -30 days)	3 250 679	2 310 219
31 - 60 days	935 620	1 109 825
61 - 90 days	137 484	73 019
91 - 120 days	116 675	186 742
> 120 days	1 686 246	1 028 561
Less: Allowance for impairment	(1 264 221)	(382 841)
	4 862 483	4 325 525
Summary of debtors by customer classification		
Domestic Consumers		
Current (0 - 30 days)	4 680 936	6 596 329
31 - 60 days	1 188 996	1 628 684
61 - 90 days	968 719	1 257 637
91 - 120 days	1 208 396	1 359 936
> 120 days	55 043 062	49 320 728
	63 090 109	60 163 314
Less: Allowance for impairment	(40 081 910)	(40 020 425)
	23 008 199	20 142 889
Industrial/Commercial Consumers		
Current (0 - 30 days)	3 925 743	3 632 476
31 - 60 days	2 808 504	1 974 985
61 - 90 days	679 884	308 216
91 - 120 days	523 171	498 402
> 120 days	6 495 142	4 026 608
	14 432 444	10 440 687
Less: Allowance for impairment	(1 264 221)	(204 077)
	13 168 223	10 236 610
National and Provincial Government Consumers		
Current (0 - 30 days)	3 042 730	2 719 272
31 - 60 days	1 441 017	620 169
61 - 90 days	936 611	173 771
91 - 120 days	921 902	280 580
> 120 days	5 000 608	5 274 224
	11 342 868	9 068 016

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
3. Receivables from exchange transactions - consumer debtors (continued)		
Total		
Current (0 -30 days)	11 649 408	12 948 076
31 - 60 days	5 438 517	4 223 838
61 - 90 days	2 585 214	1 739 624
91 - 120 days	2 653 469	2 138 918
> 120 days	66 538 812	58 621 561
	88 865 420	79 672 017
Less: Allowance for impairment	(41 346 131)	(40 224 502)
	47 519 289	39 447 515
Less: Allowance for impairment		
Current (0 -30 days)	(4 586 901)	(1 827 119)
31 - 60 days	(225 920)	(877 307)
61 - 90 days	(137 484)	(1 027 176)
91 - 120 days	(102 730)	(1 003 771)
> 120 days	(36 293 096)	(35 489 129)
	(41 346 131)	(40 224 502)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(40 224 502)	(34 644 191)
Contributions to allowance	(6 259 592)	(8 753 607)
Debt impairment written off against allowance	5 137 963	3 173 296
	(41 346 131)	(40 224 502)

In the determination of the amounts deemed to be impaired at financial year end, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.

Category A	Regular payers, government accounts, consumers with amounts owing not older than 60 days.
Category B	Irregular payers.
Category C	Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

Category A	0% of consumer's total debt.
Category B	50% of consumer's debt less or equal to 180 days, 100% of consumer's debt > than 180 days.
Category C	100% of consumer's total debt

The collection rate from receivables from exchange transactions - consumer debtors for the 2019/2020 and 2018/2019 financial year was 84% and 88% respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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3. Receivables from exchange transactions - consumer debtors (continued)

Statutory receivables

Transaction(s) arising from statute

The municipality raises charges for the issuance of air quality licenses in terms of the National Environmental Management; Air Quality Act No. 39 of 2004. Upon the issuance of the license the municipality records all atmospheric licenses in the National atmospheric emissions database. These fees are received in full prior to the issuance of the license and thus no debtors are outstanding at the reporting date.

Determination of transaction amount

The air quality license amount is determined by the Minister of Environmental Affairs as issued through government gazette. The 2019/2020 determination is per Gazette no. 39805 dated 11 March 2016. The revenue recognised for the financial year 2018/2019 and 2019/2020 is included in note 19.

Interest or other charges levied/charged

The municipality does not charge interest on the determined charges as all fees must be paid in full before the issuance of the license.

4. Receivables from exchange transaction - VAT

VAT receivable	84 572 080	47 347 498
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King Cetshwayo Fresh Produce Market (PTY) Ltd

The Council resolved to de-establish the entity with all the assets and liabilities to be incorporated into the municipality. The culmination of entries at 14 February 2020, the date of de-registration resulted in the take on of a SARS debtor pertaining to VAT of R772 761- refer to note 44 and refer to note 36 for further VAT disclosure.

Statutory receivables general information

Transaction(s) arising from statute

The municipality raises input and output valued added tax in terms of the Value Added Tax Act no. 89 of 1991.

Determination of transaction amount

The municipality raises output VAT on services rendered and claims input VAT on qualifying purchases. As the municipality receives grant funding that is predominately zero rated, vat claimed against these grants thus results in the municipality being in a net refund status at year end.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
5. Receivables from non exchange transactions		
Employee, councillor account and other transactions	391 777	643 945
Deposits	8 384 687	7 385 251
uMhlathuze municipality	1 212 559	1 212 559
King Cetshwayo Fresh Produce Market	41 193	-
Support service agent	271 716	-
Payments in advance	2 641 466	3 550 538
Investment interest accrual	2 832 584	3 843 214
	15 775 982	16 635 507

2019/2020

King Cetshwayo Fresh Produce Market (PTY) Ltd

The Council resolved to de-establish the entity with all the assets and liabilities to be incorporated into the municipality. The culmination of entries at 14 February 2020, the date of de-registration, resulted in the take on of debtors amounting to R42 729 (subsequent debtors have paid to the value of R1 536) - refer to note 44.

2018/2019

uMhlathuze municipality:

The debtor amounting to R1 212 559 was raised as a result of the Ntambanana disestablishment and section 12 split notice. The debtor has not been settled by the municipality and the issue is been dealt with the management of the uMhlathuze municipality.

Statutory receivables included in receivables from exchange transactions and non-exchange transactions above are as follows:

Air quality license	-	-
Value Added Tax	84 572 080	47 347 498
	84 572 080	47 347 498

Exchange and non exchange receivables pledged as security

No exchange or non exchange receivables have been pledged as security.

Debt impairment - exchange and non exchange transactions

As of 30 June, the total debt impairment as recognised in the statement of financial performance is for receivables from exchange transactions only as an assessment has been made of the non-exchange transactions which indicates no impairment is necessary. The impairment of exchange transactions is detailed below:

Debt impairment - receivables from exchange transactions	6 259 592	8 753 607
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King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
6. Long term receivables from exchange transactions		
Current portion of long term receivables	49 193	53 188
Non-current long term receivables	66 063	116 181
	115 256	169 369

Staff home loans

Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with the home loan agreement. The interest received from these loans amounts to R10 480 (R13 211 - 2019) and is included in note 21, revenue from exchange transactions interest received.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 400	3 800
Cash book balances	137 303 034	145 579 495
Call Investment deposits	370 000 000	350 000 000
	507 309 434	495 583 295

Call investment deposits

Financial Institution	Maturity Date		
NEDBANK	21/07/2020	100 000 000	-
NEDBANK	04/09/2020	30 000 000	-
NEDBANK	On call	200 000 000	-
STANDARD	30/09/2020	40 000 000	-
NEDBANK	02/07/2019	-	75 000 000
NEDBANK	24/07/2019	-	60 000 000
NEDBANK	26/09/2019	-	90 000 000
STANDARD	On call	-	20 000 000
STANDARD	05/08/2019	-	50 000 000
STANDARD	26/08/2019	-	55 000 000
		370 000 000	350 000 000

An average interest rate of 6.98% and 7.69% was received on investments placed for the 2019/2020 and 2018/2019 financial years respectively. The detailed investment register is available at the registered office of the municipality. Furthermore in the year the petty cash imprest amount was increased by R2 600.

No cash and cash equivalents have been pledged as collateral.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account description / number	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
NEDBANK - Primary Account Account No 145 408 8885	125 589 075	115 984 681	115 472 330	125 582 503	115 982 109	115 441 207
NEDBANK - Billing Account - Account No 145 408 8893	2 006 159	2 081 593	3 226 768	1 026 359	2 081 593	2 862 736
NEDBANK - Expenditure Account Account No 145 408 9016	10 694 172	27 515 793	29 974 983	10 694 172	27 515 793	29 974 983
Total	138 289 406	145 582 067	148 674 081	137 303 034	145 579 495	148 278 926

Cash at banks earns interest on a consolidated daily balance. Detailed bank reconciliation's in support of the cash book balances are available at the registered office of the municipality.

The difference between the cash book balance and bank statement balance for the primary account is attributable to unallocated deposits of R6 572 received.

The difference between the cash book balance and bank statement balance for the billing account is attributable to timing differences of cash received in the bank on 30 June 2020 which is then receipted in July 2020 amounting to R979 800.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	75 359 448	(23 234 905)	52 124 543	74 325 786	(20 974 624)	53 351 162
Community assets	28 775 023	(4 833 204)	23 941 819	23 774 027	(3 777 210)	19 996 817
Computer equipment	15 093 294	(9 696 462)	5 396 832	13 451 639	(7 968 590)	5 483 049
Furniture	7 309 121	(4 684 213)	2 624 908	7 116 565	(4 159 724)	2 956 841
Infrastructure	3 066 884 740	(608 261 470)	2 458 623 270	2 822 415 810	(516 870 339)	2 305 545 471
Motor vehicles	48 807 528	(2 396 729)	46 410 799	18 463 458	(7 846 958)	10 616 500
Office equipment	8 936 807	(6 400 089)	2 536 718	8 629 344	(5 485 498)	3 143 846
Plant and machinery	3 997 389	(2 357 030)	1 640 359	3 216 471	(1 836 074)	1 380 397
Total	3 255 163 350	(661 864 102)	2 593 299 248	2 971 393 100	(568 919 017)	2 402 474 083

Reconciliation of property, plant and equipment - June 2020

	Opening Balance	Additions	Additions - AUC	Disposals	Transfers - Entity	Donations	Depreciation	Impairment	Total
Buildings	53 351 162	-	1 033 661	-	-	-	(2 260 280)	-	52 124 543
Community assets	19 996 817	-	-	-	5 000 999	-	(1 055 997)	-	23 941 819
Computer equipment	5 483 049	1 800 968	-	(35 796)	87 972	-	(1 939 361)	-	5 396 832
Furniture	2 956 841	164 161	-	(6 845)	67 332	-	(556 581)	-	2 624 908
Infrastructure	2 305 545 471	1 980 066	243 975 980	(732 245)	-	-	(91 788 135)	(357 867)	2 458 623 270
Motor vehicles	10 616 500	35 119 509	-	(6 129 339)	-	8 986 645	(2 182 516)	-	46 410 799
Office equipment	3 143 846	274 169	-	(3 541)	57 311	-	(935 067)	-	2 536 718
Plant and machinery	1 380 397	614 123	-	(1 060)	174 587	-	(527 688)	-	1 640 359
	2 402 474 083	39 952 996	245 009 641	(6 908 826)	5 388 201	8 986 645	(101 245 625)	(357 867)	2 593 299 248

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2019

	Opening Balance	Additions	Additions - AUC	Disposals	Depreciation	Impairment	Total
Buildings	55 239 345	135 586	83 109	-	(2 106 878)	-	53 351 162
Community assets	20 278 033	-	425 405	-	(706 621)	-	19 996 817
Computer equipment	7 239 008	1 474 289	-	(363 205)	(2 867 043)	-	5 483 049
Furniture	3 344 392	611 052	-	(76 606)	(921 997)	-	2 956 841
Infrastructure	2 177 651 650	5 489 236	188 266 034	(10 926)	(65 116 976)	(733 547)	2 305 545 471
Motor vehicles	11 155 265	1 497 170	-	-	(2 035 935)	-	10 616 500
Office equipment	4 036 228	838 203	-	(95 346)	(1 635 239)	-	3 143 846
Plant and machinery	2 105 326	270 660	-	(50 374)	(945 215)	-	1 380 397
	2 281 049 247	10 316 196	188 774 548	(596 457)	(76 335 904)	(733 547)	2 402 474 083

Prior year adjustments

The carrying value of property, plant and equipment was restated by an amount of R523 476 from R2 402 997 559 to R2 402 474 083 - refer to note 40. The disclosure of assets under construction has been reclassified to classes of property, plant and equipment.

Loss/(Gain) on disposal of property, plant and equipment

	<u>2019/2020</u>	<u>2018/2019</u>
Computer equipment	(35 796)	(363 205)
Furniture	(6 845)	(76 606)
Infrastructure	(732 245)	(10 926)
Motor vehicles	(6 129 339)	-
Office equipment	(3 541)	(95 346)
Plant and machinery	(1 060)	(50 374)
Computer software & other	-	(98 674)
Insurance proceeds plant and machinery	31 304	63 676
Proceeds from the sale of property, plant and equipment	-	886 411
	(6 877 522)	254 956

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Other information

King Cetshwayo Fresh Produce Market

The Council resolved to de-establish the entity with all the assets and liabilities to be incorporated into the municipality. The culmination of entries at 14 February 2020, the date of de-registration, resulted in the take on of assets amounting to R5 388 201 and R164 851 for property, plant and equipment and intangibles (Refer to note 9 and note 44).

Donations

The municipality received donated yellow plant from the Department of Co-operative Governance and Traditional Affairs amounting to R8 986 645 as part of the operation Khawuleza project.

Property, plant and equipment in the process of being constructed or developed

2019/2020

The assets under construction (infrastructure) carrying values includes delayed water infrastructure projects amounting to R119 m. The delays are mainly due to completed project phases awaiting the completion of additional project phases within the network and previously halted projects that now have appointed contractors continuing with the scope of work.

2018/2019

The assets under construction (infrastructure) carrying values includes delayed water infrastructure projects amounting to R98.3m. The delays are mainly due to completed projects awaiting the completion of additional project phases within the network.

Also, included in assets under construction (infrastructure) carrying value is a halted water project amounting to R33.5m. The project has been temporarily halted due to the performance of the contractor and the business rescue process. The process to appoint a new contractor to complete the remaining work had commenced.

Assets under construction 2019/2020

	Included within Infrastructure	Included within Community assets	Included within operational buildings	Total
Opening carrying value	831 857 776	935 015	346 267	833 139 058
Additions/capital expenditure	243 975 981	-	1 033 661	245 009 642
Transferred to completed items	(211 808 888)	-	-	(211 808 888)
	864 024 869	935 015	1 379 928	866 339 812

Assets under construction 2018/2019

	Included within Infrastructure	Included within Community assets	Included within operational buildings	Total
Opening carrying value - restated	839 697 476	1 287 269	263 158	841 247 903
Additions/capital expenditure	188 266 034	425 405	83 109	188 774 548
Transferred to complete	(196 105 734)	(777 659)	-	(196 883 393)
	831 857 776	935 015	346 267	833 139 058

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

	<u>2019/2020</u>	<u>2018/2019</u>
Community assets	280 892	47 060
Furniture	820	4 995
Infrastructure	180 596 047	199 231 383
Motor vehicles	1 594 077	4 093 290
Plant and machinery	1 606 730	1 271 171
	<u>184 078 566</u>	<u>204 647 899</u>

A register containing the information required by section 63 of the Municipal Finance Management Act (Act No. 56 of 2003) is available for inspection at the registered office of the municipality. Refer to appendice b for further disclosure.

2019/2020

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the municipality and additions disclosed are inclusive of accruals.

2018/2019

No assets had been pledged as security nor have any restrictions been placed on any assets under the control of the municipality and additions disclosed are inclusive of accruals.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and other	11 470 642	(3 495 552)	7 975 090	6 176 492	(2 267 447)	3 909 045

Reconciliation of intangible assets - June 2020

	Opening balance	Additions	Transfers Entity	Amortisation	Total
Computer software & other	3 909 045	5 129 299	164 851	(1 228 105)	7 975 090

Reconciliation of intangible assets - June 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software & other	4 191 642	593 082	(98 674)	(777 005)	3 909 045

Pledged as security

No intangible assets have been pledged as security nor any restriction imposed thereon.

Prior year adjustments

The carrying value of intangible assets was restated by an amount of R1 445 from R3 907 600 to R3 909 045 - refer to note 40.

A register containing the information required by section 63 of the Municipal Finance Management Act (Act No. 56 of 2003) is available for inspection at the registered office of the municipality. Refer to appendice b for further disclosure.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	700 000	-	700 000	700 000	-	700 000

Reconciliation of heritage assets - June 2020

	Opening balance	Total
Historical monuments	700 000	700 000

Reconciliation of heritage assets - June 2019

	Opening balance	Total
Historical monuments	700 000	700 000

Historical monument

The municipality commissioned a historical monument of King Cetshwayo in the 2016/2017 financial year and as such deemed this as a cultural heritage asset. No heritage assets have been pledged as security nor any restriction imposed thereon.

A register containing the information required by section 63 of the Municipal Finance Management Act (Act No. 56 of 2003) is available for inspection at the registered office of the municipality. Refer to appendice b for further disclosure.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2020	2019
11. Investments in municipal entities			
	% holding June 2020	% holding June 2019	
uThungulu House Development Trust	100,00 %	100,00 %	- 725 877
King Cetshwayo Fresh Produce Market (Pty) Ltd	- %	100,00 %	- 1 000
			- 726 877

The carrying amounts of municipal entities are shown net of impairment losses refer to note 38, related parties.

uThungulu House Development Trust

The municipality has a controlling interest in the uThungulu House Development Trust, originally established to acquire a portion of the municipal building now known as King Cetshwayo House, through a head and sub lease agreement. As a result of the final lease payment being made on 31 October 2017 and the ownership of the property vesting in the municipality, Council has taken a resolution to dissolve the uThungulu House Development Trust which is administering the building. The subsequent processes were initiated and the conveyance process is in the final stages with the anticipated finalisation being in the 2020/2021 financial year.

King Cetshwayo Fresh Produce Market (PTY) Ltd

The municipality had a controlling interest in the King Cetshwayo Fresh Produce Market (PTY) Ltd since the Entities establishment on 23 June 2015. Council resolved (KCDMC:2187/2019 - 27 June 2019) to de-establish the entity with all the assets, liabilities and staff to be incorporated into the municipality. The Entity was deregistered on 14 February 2020 per CIPC publication notice number 25-A / 201917 in terms of section 82 (3) of the Companies Act, 2008. With effect from 14 February 2020, the transfer date, the municipality has acquired functions of King Cetshwayo Fresh Produce Market (PTY) Ltd and effective on the same date discontinued the operations of the physical market. Refer to note 44 for more information.

Investments in municipal entities pledged as security

No investments in municipal entities have been pledged as security.

Movements in carrying value

Opening balance	726 877	688 134
Fair value adjustment uThungulu House Development Trust	34 972	38 743
Transfer of investment in uThungulu House Development Trust to current assets	(760 849)	-
Dissolution of investment in King Cetshwayo Fresh Produce Market (PTY) Ltd	(1 000)	-
	-	726 877

Non-current assets

At amortised cost	-	726 877
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Current assets

At amortised cost	760 849	-
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King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand				2020	2019
12. Investments in financial assets - shares					
Name of entity	Listed / Unlisted	No. of shares 2020	No. of shares 2019		
Sanlam Limited	Listed	1 136	1 136	66 955	88 789
Movements in carrying value					
Opening balance				88 789	79 600
Fair value adjustment				(21 834)	9 189
Transfer of investment in financial assets shares to current assets				(66 955)	-
				-	88 789
Non-current assets					
At fair value				-	88 789
Current assets					
At fair value				66 955	-

Fair value adjustment

The fair values are determined annually at the end of the reporting period.

The fair values of listed or quoted investments are based on the quoted market share price.

Reconciliation of fair value adjustment in 2019/2020

Share price as at 30 June 2019 R78.16

Share price as at 30 June 2020 R58.94

Share value as at 30 June 2019 R88 789

Share value as at 30 June 2020 R66 955

Loss on fair value adjustment (R21 834)

Reconciliation of fair value adjustment in 2018/2019

Share price as at 30 June 2018 R70.07

Share price as at 30 June 2019 R78.16

Share value as at 30 June 2018 R79 600

Share value as at 30 June 2019 R88 789

Gain on fair value adjustment R 9 189

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
12. Investments in financial assets - shares (continued)		
The municipality was one of numerous municipalities who became incidental shareholders in Sanlam Limited as a result of a demutualisation process undertaken by Sanlam Limited in 1998.		
The shares in Sanlam Limited are measured at fair value with reference to quoted prices on the Johannesburg Stock Exchange as at each reporting date and the transactions have been applied accordingly. During the current year the municipality resolved to dispose of the share holding in Sanlam, KCDMC:2468/2020 dated 15 June 2020.		
The municipality subsequent to 30 June 2020 received the proceeds of the sale on 20 July 2020 amounting to R71 124 (R62.61 per share).		
13. Long term liabilities		
At amortised cost		
<u>ABSA Bank 12.6%</u>	21 130 446	24 979 601
The loan was raised originally for the development of the King Cetshwayo House building and the Greater Mthonjaneni Bulk Water Scheme. Subsequently infrastructure for the landfill site and sewer treatment plants were constructed there from. The original loan is repayable after a 14 year period (remaining period 4 years). Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.		
<u>INCA 11.95%</u>	10 733 346	13 553 713
The loan was raised to finance extensions to King Cetshwayo House and the development of the Regional Solid Waste Site cell 2. The original loan is repayable after a 14 year period (remaining period 3 years). Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.		
	31 863 792	38 533 314
Non-current liabilities		
At amortised cost	24 334 928	31 863 792
Current liabilities		
At amortised cost	7 528 864	6 669 522

King Cetshwayo District Municipality
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
14. Payables exchange transactions		
Accrued leave pay	16 868 474	14 838 556
Amounts received in advance	4 057 556	5 112 249
Trade payables King Cetshwayo Fresh Produce Market	1 036 034	-
Retention payables	45 763 585	49 832 736
Trade payables	291 967 462	165 354 256
uMhlathuze Municipality	37 561	37 561
	359 730 672	235 175 358

2019/2020

King Cetshwayo Fresh Produce Market (PTY) Ltd

The Council resolved to de-establish the entity with all the assets and liabilities to be incorporated into the municipality. The culmination of entries at 14 February 2020, the date of de-registration, resulted in the take on of creditors amounting to R1 074 727 (subsequent creditors have been settled to the value of R38 693) - refer to note 44.

Payables are settled in terms of legislation, except for retentions which are settled in terms of the contract agreement. Payments received in advance are non interest bearing.

15. Consumer deposits

Water	10 100 052	10 058 400
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In terms of Council's by-laws no interest is raised or paid on consumer deposits.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. Defined employee benefit obligations

Defined benefit plan

Post retirement health care benefit liability

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2020 by ZAQ Consultants and Actuaries, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit funding method.

No other post retirement benefits are provided by the municipality.

The municipality makes monthly contributions to the following medical aid schemes:

- Bonitas
- Keyhealth
- Hosmed
- Samwumed
- LA Health

The post employment health care benefit plan is a defined benefit plan, of which the members are made up of 325 in service members employees (2019 - 333) and 6 continuation members - retirees, widowers and orphans (2019 - 4).

Long service awards

A long service award is granted to municipal employees per the policy after the completion of fixed periods of continuous service with the municipality, which includes their uninterrupted service with the former Local Authorities amalgamated in December 2000. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into an amount based on his or her basic salary applicable at the time the award became due or, alternatively, credited to his or her vacation leave accrual.

The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2020 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2020 by ZAQ Consultants and Actuaries, a member of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit funding method.

No other long service benefits are provided by the municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
16. Defined employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-post employment medical aid benefits	(28 875 000)	(27 868 707)
Present value of the defined benefit obligation-long service awards	(9 751 000)	(8 763 169)
	(38 626 000)	(36 631 876)
Non-current liabilities	(37 825 000)	(35 465 876)
Current liabilities	(801 000)	(1 166 000)
	(38 626 000)	(36 631 876)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	36 631 876	32 408 000
Net expense recognised in the statement of financial performance - total included in employee related costs	1 994 124	4 223 876
	38 626 000	36 631 876

Net expense recognised in the statement of financial performance

Post employment medical aid benefit - current service cost	2 470 000	2 399 000
Long service awards - current service cost	1 151 000	842 000
Long service awards - past service cost	-	1 152 000
Post employment medical aid benefit - interest cost	2 987 000	2 732 000
Long service awards - interest cost	837 000	709 000
Post employment medical aid benefit - actuarial (gain) / loss	(4 256 937)	(3 058 000)
Long service awards - actuarial (gain) / loss	(361 018)	562 000
Post employment medical aid benefit - benefits paid	(193 770)	(157 293)
Long service awards - benefits paid	(639 151)	(956 831)
	1 994 124	4 223 876

2018/2019

In the year certain clauses within the conditions of service collective agreement between SALGA and IMATU/SAMVU were amended. Past service costs were incurred in the valuation period as a result of these amendments to the benefits scheme. Employees are now entitled to receive a long service award after 5 years of service of 5 leave days, and exiting employees are now eligible for pro rata awards. The effect of this amendment had resulted in an additional liability of R1 152 000.

Calculation of actuarial gains and losses

Post employment medical aid benefit - actuarial (gain)	(4 256 937)	(3 058 000)
Long service awards - actuarial (gain) / loss	(361 018)	562 000
	(4 617 955)	(2 496 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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16. Defined employee benefit obligations (continued)

Expected future service and interest costs

Post employment medical aid benefits

Based on the most recent actuarial valuation as at 30 June 2020, the future service cost for the 2020/2021 financial year was established to be R2 389 000, whereas the interest cost is estimated to be R3 812 000 (2019 - R2 470 000 and R2 987 000 respectively).

The municipality expects to make a contribution of R307 000, (2019 - R193 770) to the defined benefit plans during the 2020/2021 financial year.

Long service awards

Based on the most recent actuarial valuation as at 30 June 2020, the future service cost for the 2020/2021 financial year was established to be R1 164 000, whereas the interest cost is estimated to be R933 000 (2019 - R1 151 000 and R837 000 respectively).

The municipality expects to make a contribution of R494 000, (2019 - R639 151) to the defined benefit plans during the 2020/2021 financial year.

Key assumptions used

Assumptions used at the reporting date:

Post employment medical aid benefits

Discount rate	12,74 %	10,30 %
Medical aid contribution inflation	10,15 %	8,15 %
Net effective discount rate	2,35 %	1,99 %
Consumer price inflation (CPI)	8,15 %	6,15 %

Long service awards

Discount rate	9,43 %	8,50 %
Normal salary increase rate	6,20 %	5,70 %
Net effective discount rate	3,04 %	2,65 %
Consumer price inflation	5,20 %	4,70 %

The expected retirement age for both females and males is 63 years (2019 - 63 years for both females and males).

The basis on which the discount rate and medical aid inflation rate has been determined as follows for post employment medical aid benefits:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The yield curves as at 30 June 2020 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration.

The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

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16. Defined employee benefit obligations (continued)

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 2% per annum over the foreseeable future.

The basis on which the discount rate and salary inflation has been determined as follows for long service awards:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The yield curves as at 30 June 2020 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration.

The actuaries have derived the underlying future rate of consumer index inflation (CPI inflation) from the relationship between (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) inflation linked bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2020 of 6.25%. The next salary increase was assumed to take place on 01 July 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
16. Defined employee benefit obligations (continued)		
Other assumptions		
Assumed healthcare cost trends, salary inflation rates and deviations from assumed level of mortality experience of the current employees and continuation members will have a large impact on the actual cost to the municipality with a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends and salary inflation rates and a 20% increase or decrease in the mortality and withdrawal rates would have the following effects:		
<u>Increase of 1% / (Decrease of 1 %)</u>		
Effect on the post employment medical aid - pemab	1 350 000	1 393 000
Effect on the aggregate of the service cost and interest cost - pemab	286 000	283 000
Effect on the post employment medical aid - pemab	(1 801 000)	(1 945 000)
Effect on the aggregate of the service cost and interest cost - pemab	(385 000)	(396 000)
Effect on the long service awards - Isa	767 000	651 831
Effect on the aggregate of the service cost and interest cost - Isa	179 000	162 000
Effect on the long service awards - Isa	(688 000)	(584 169)
Effect on the aggregate of the service cost and interest cost - Isa	(160 000)	(141 000)
<u>(Increase of 20%)/ Decrease of 20% in mortality rate</u>		
Effect on the post employment medical aid - pemab	(2 191 000)	-
Effect on the aggregate of the service cost and interest cost - pemab	(481 000)	-
Effect on the post employment medical aid - pemab	2 654 000	-
Effect on the aggregate of the service cost and interest cost - pemab	581 000	-
<u>(Increase of 20%)/ Decrease of 20% in withdrawal rate</u>		
Effect on the long service awards - Isa	(596 000)	-
Effect on the aggregate of the service cost and interest cost - Isa	(149 000)	-
Effect on the long service awards - Isa	670 000	-
Effect on the aggregate of the service cost and interest cost - Isa	170 000	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

16. Defined employee benefit obligations (continued)

Defined benefits obligations

An amount of R26 970 504 (2019 - R24 902 449) was contributed by Council towards employment retirement funding. These contributions have been expensed.

A service benefit in the form of participation in the Zululand Joint Provident Fund (Uthungulu District Municipality Provident Fund) was in existence in previous financial years, whereby the municipality and employee co-contributed towards a group life cover. During the course of previous years, pursuant to ongoing and prior engagements with relevant stakeholders, the municipality ceased participation therein in October 2015. The fund had by 30 June 2016 initiated the appropriate liquidation processes as legislated. A liquidator was duly appointed, the fund liquidated and the draft preliminary accounts were submitted to the Financial Services Board (FSB) on 31 January 2017.

The FSB approval was received on 31 January 2017 and advertisements informing members and former members of the funds liquidation had been placed in newspapers. Benefits payments commenced at the beginning of May 2017 and during the 2018/2019 financial year an unclaimed benefit remained. The applications to transfer the unclaimed benefits from the fund to the unclaimed benefit fund have been signed by the administrator however had not yet been transferred in 2018/2019.

In the year under review the liquidation process was finalised and the administrators have confirmed that there are no exits payable. Due to the fact that the fund is liquidated, no financial statements are required by the FSCA.

Municipal employees have since joined the Old Mutual Group Life scheme from 1 November 2015 which includes family cover, life insurance and group income protection. The municipality and employee each contribute to the scheme based on a percentage of the employees pensionable earnings.

Description of Fund	Last Actuarial Valuation	Total assets R'000	Total Liabilities R'000
Government Employees Pension Fund	March 2019	1 859 049	1 859 049
KwaZulu-Natal Joint Municipal Provident Fund	March 2019	5 004 784	5 004 784
Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2019	12 251 961	12 251 961
Natal Joint Municipal Pension Fund (Retirement)	March 2019	4 239 258	4 239 258

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
17. Unspent transfers and subsidies		
Unspent conditional transfers and subsidies comprises of:		
Department of Water and Sanitation	48 990 644	90 733 112
KwaZulu Natal Department of Co-operative Governance and Traditional Affairs	3 350 401	2 000 000
National Treasury	683 119	162 057
KwaZulu Natal Department of Economic Development Tourism and Environmental Affairs	700 000	-
Public contributions	70 078	-
	53 794 242	92 895 169
Movement during the year		
Balance at the beginning of the year	92 895 169	2 940 553
Current year receipts	891 669 935	866 329 625
Revenue recognition during the year	(930 770 862)	(776 375 009)
	53 794 242	92 895 169

The unspent conditional grants amounting to R53 794 242 are cash backed and included in cash and cash equivalents - refer to note 7.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

18. Provisions

Reconciliation of provisions - June 2020

	Opening Balance	Additions	Short term portion	Total
Performance bonus	1 591 182	1 226 954	-	2 818 136
Rehabilitation of refuse landfill site	75 155 263	901 863	(4 361 901)	71 695 225
Current portion of rehabilitation of refuse landfill site	-	-	4 361 901	4 361 901
	76 746 445	2 128 817	-	78 875 262

Reconciliation of provisions - June 2019

	Opening Balance	Additions	Total
Performance bonus	738 079	853 103	1 591 182
Rehabilitation of refuse landfill site	73 569 215	1 586 048	75 155 263
	74 307 294	2 439 151	76 746 445
Non-current liabilities		71 695 225	75 155 263
Current liabilities		7 180 037	1 591 182
		78 875 262	76 746 445

Performance bonus

Performance bonuses are usually paid after the financial year end in arrears as the assessment of eligible employees only takes place after the year. The assessments for the 2017/2018 and 2018/2019 financial year had not been finalised at 30 June 2020, thus the provision is for three financial years. Provision has been made for all managers with exception of the Municipal Manager and the Chief Operating Officer in 2018/2019, as the incumbents to the positions have not been in the employ of the municipality for a period greater than three quarters of the applicable year. Furthermore in the current financial year no provision has been made for the Deputy Municipal Manager Technical Services, as the incumbent was only appointed to the position on 1 March 2020.

Rehabilitation of refuse landfill site

In terms of licensing of the landfill refuse site, the provision for rehabilitation costs was R76 m as at 30 June 2020 to restore the remaining portions of the old Empangeni and Cell 1 refuse sites at the end of their useful lives. Provision has been made at best estimate determined by a professional engineer at a cost for the current solid waste (Cell 1 & Cell 2) and the old Empangeni Site. Rehabilitation will take place as cells are fully utilised and per the site design of the cells which at the current used footprint is expected to be approximately October 2029. The expected timing is subject to any significant changes to waste strategies of major customers. In the 2020/2021 financial year partial rehabilitation has been planned for cell 2.

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19. Revenue from exchange transactions - Service charges		
Water revenue	53 072 250	53 138 355
Solid waste revenue	26 091 261	26 218 252
Sanitation revenue	7 972 142	7 569 424
Cemetery revenue	297 240	217 111
Air quality license revenue	55 000	40 000
	87 487 893	87 183 142
20. Revenue from exchange transactions - Rental income		
Rental income - parking	53 565	56 506
21. Revenue from exchange transactions - Interest received		
Outstanding debtors	2 029 486	1 696 761
Interest on long term receivables from exchange transactions	10 480	13 211
Bank accounts	11 674 956	11 373 930
External investments	28 395 871	27 884 427
	42 110 793	40 968 329
22. Revenue from exchange transactions - Other income		
Insurance claim proceeds	1 165 020	2 002 546
Tender deposits and sale of maps	142 949	117 800
Bursary refunds and other	31 784	67 105
Administrative fees	43 871	48 140
Dividends	-	3 544
	1 383 624	2 239 135

2018/2019

Dividends:

The municipality was one of numerous municipalities who became shareholders in Sanlam Limited as a result of a demutualisation process undertaken by Sanlam Limited in 1998. The municipality was not aware of the allocation of shares until Sanlam Limited issued a notice for untraceable shareholders. National Treasury through correspondence notified municipalities that Sanlam Limited issued a notice for untraceable shareholders in 2016/2017. In this regard the municipality was issued 1136 shares. Refer to note 12 which outlines detailed information pertaining to the investment holding.

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Figures in Rand	2020	2019
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23. Revenue from non exchange transactions - Transfers and subsidies

Operating grants

Levy Replacement Grant	180 721 496	249 115 000
Equitable Share	334 218 504	227 727 000
Department of Water and Sanitation	37 312 167	15 827 680
Department of Co-operative Governance and Traditional Affairs	42 562 854	68 792 609
Department of Public Works Grant	6 763 000	7 762 000
Department of Transport	2 678 000	2 528 000
National Treasury	2 070 794	1 235 568
KwaZulu Natal Department of Economic Development Tourism and Environmental Affairs	-	1 436 739
KwaZulu Natal Department of Co-operative Governance and Traditional Affairs	199 599	300 000
Department of Sport and Recreation	-	3 813
Public Contributions	40 000	-
	606 566 414	574 728 409

Capital grants

Department of Water and Sanitation	195 949 302	101 739 208
Department of Cooperative Governance and Traditional Affairs	128 255 147	97 110 472
KwaZulu Natal Department of Cooperative Governance and Traditional Affairs	-	1 500 000
	324 204 449	200 349 680
	930 770 863	775 078 089

National Government - Levy Replacement Grant (Unconditional Grant)

Current-year receipts	180 721 496	249 115 000
Transferred to revenue	(180 721 496)	(249 115 000)
	-	-

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while National Government is currently defining the overall fiscus streams to local government.

National Government - Equitable Share Grant (Unconditional Grant)

Current-year receipts	334 218 504	227 727 000
Transferred to revenue	(334 218 504)	(227 727 000)
	-	-

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water per household to the entire district with the exception of KZ 282.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
23. Revenue from non exchange transactions - Transfers and subsidies (continued)		
Department of Water and Sanitation		
Balance unspent at beginning of the year: WSIG	23 412 823	-
Current year receipts: WSIG	100 000 000	88 300 000
Conditions met - transferred to revenue : WSIG	(105 357 862)	(64 887 177)
Balance unspent at beginning of the year: RBIG	67 320 289	-
Current year receipts: RBIG	91 519 000	120 000 000
Conditions met - transferred to revenue : RBIG	(127 903 606)	(52 679 711)
	48 990 644	90 733 112

Conditions still to be met - remain liabilities (see note 17).

These grants are used for:

- water infrastructure and sanitation projects;
- drought relief and disaster relief programmes-(COVID-19 reprioritization);
- to reduce water and sanitation backlogs;
- to sustain water and sanitation infrastructure, and
- upgrading and development of regional bulk water infrastructure.

Refer to note 45.

Department of Co-operative Governance and Traditional Affairs

Current year receipts: MIG	170 818 000	167 200 000
Conditions met - transferred to revenue : MIG	(170 818 000)	(165 903 081)
Allocation of debtor from prior year : MIG	-	(1 296 919)
	-	-

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas and the provision of new infrastructure. Furthermore in the year under review the funder approved the reprioritization of funding to address COVID 19 related water issues. Refer to note 45.

Department of Public Works Grants

Current year receipts: EPWP	6 763 000	7 762 000
Conditions met - transferred to revenue : EPWP	(6 763 000)	(7 762 000)
	-	-

This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

The following areas have been identified:

- basic services infrastructure, including water and sanitation reticulation;
- parks and beautification;
- sustainable land based livelihoods, and
- social services programmes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
23. Revenue from non exchange transactions - Transfers and subsidies (continued)		
Department of Transport		
Current year receipts: RRAMS	2 678 000	2 528 000
Conditions met - transferred to revenue: RRAMS	(2 678 000)	(2 528 000)
	<u>-</u>	<u>-</u>

The Department of Transport grant is used to co-ordinate Rural Roads Asset Management Systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

National Treasury

Balance unspent at beginning of the year : LG SETA	162 057	-
Current year receipts : LG SETA	381 857	397 625
Conditions met - transferred to revenue: LG SETA	(452 232)	(235 568)
Current year receipts : FMG	1 465 000	1 000 000
Conditions met - transferred to revenue: FMG	(1 465 000)	(1 000 000)
Current year receipts : Municipal disaster grant	745 000	-
Conditions met - transferred to revenue: Municipal disaster relief grant	(153 563)	-
	<u>683 119</u>	<u>162 057</u>

Conditions still to be met - remain liabilities (see note 17).

National Treasury grants are used for:

Local Government Sector Education Training Authority grants:

- the up-skilling of municipal staff through various training interventions

Financial Management grant:

- to promote and support reforms to municipal financial management, and
- the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).

Municipal Disaster Relief grant:

The approved funding is meant to augment the resources of the municipality with regard to the following prioritised areas - refer to note 45:

- Sanitation;
- Decontamination of specific selected municipal spaces; Personal Protective Equipment, and hygiene packs; and
- Waste management.

2019/2020

An unspent amount of R91 682 of the total unspent of R683 119 for the LGSETA grant was received from SETA in May 2020 which is after the municipal adjustments budget. The funding is required to be included into the approved budget in order for spending to occur. In this regard the amount will be brought into the 2020/2021 budget.

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23. Revenue from non exchange transactions - Transfers and subsidies (continued)

2018/2019

The unspent amount of R162 057 was received from SETA in April 2019 which is after the municipal adjustments budget. The funding is required to be included into the approved budget in order for spending to occur. In this regard the amount was brought into the 2019/2020 budget.

KwaZulu Natal Department of Economic Development Tourism and Environmental Affairs

Balance unspent at beginning of the year	-	1 436 740
Conditions met - transferred to revenue - approved rollover from prior year environmental	-	(1 436 740)
Current year receipts : Tourism planning	700 000	-
	700 000	-

Conditions still to be met - remain liabilities (see note 17).

The grants received from the Department of Economic Development Tourism and Environmental Affairs is for the development of environmental framework plan, essential oils programmes and the facilitation of tourism development initiatives and tourism potential within the district.

KwaZulu Natal Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of the year : Drought relief	-	1 500 000
Conditions met - transferred to revenue - approved rollover from prior year: Drought Relief	-	(1 500 000)
Current year receipts : Spatial Development Framework	1 000 000	-
Current year receipts : Planning Shared Services	550 000	300 000
Conditions met - transferred to revenue : Planning Shared Services	(199 599)	(300 000)
Balance unspent at beginning of the year : Feasibility study to establish the district shared legal service	1 000 000	-
Current year receipts: Feasibility study to establish a district shared legal service	-	1 000 000
Balance unspent at beginning of the year :Expanded Richards Bay Industrial Development Zone	1 000 000	-
Current year receipts: Expanded Richards Bay Industrial Development Zone	-	1 000 000
	3 350 401	2 000 000

Conditions still to be met - remain liabilities (see note 17).

These grants are used:

- to build capacity within the district in order to perform functions as per legislature;
- for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure;
- to supply portable water to specific areas per agreements;
- to provide for identified feasibility studies and expansion plans, and
- to review the spatial development framework.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
23. Revenue from non exchange transactions - Transfers and subsidies (continued)		
Department of Sports and Recreation		
Balance unspent at beginning of the year	-	3 813
Conditions met - transferred to revenue	-	(3 813)
	<u>-</u>	<u>-</u>

The grant received from the Department of Sport and Recreation was used to develop sporting codes within the district. The grant was spent in accordance with the approved business plan.

Public contributions

Current-year receipts	110 078	-
Conditions met - transferred to revenue	(40 000)	-
	<u>70 078</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

The municipality received contributions from the public and the councillors of the municipality. These contributions were received to assist with combating the effects of the COVID 19 pandemic on the district. Refer to note 45.

24. Employee related costs

Employee related costs - salaries and wages	169 623 873	161 263 638
Employee related costs - contributions for UIF, pensions and medical aid	36 885 501	34 104 463
Travel and vehicle allowances	15 100 563	15 800 798
Overtime and relief payments	6 070 973	6 902 519
Housing benefits and other allowances	3 776 455	2 714 366
Defined employee benefit obligations: post employment medical aid benefits & long service awards	1 994 124	4 223 876
	<u>233 451 489</u>	<u>225 009 660</u>

Included in the employee related costs above are the following salaries, allowances and benefits for the Municipal Manager and Deputy Municipal Managers:

Remuneration of Municipal Manager

Annual remuneration	1 770 763	990 834
Backpay	14 438	141 548
Contributions to UIF and other	1 896	1 102
Travel allowance	25 917	-
	<u>1 813 014</u>	<u>1 133 484</u>

2019/2020

The Council approved a yearly cost of living increase effective from 1 July 2019(KCDMC: 2198/2019 - 15 August 2019).

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24. Employee related costs (continued)

2018/2019

The Municipal Manager position was filled in the 2018/2019 financial year. The incumbent commenced duties on 1 November 2018.

Remuneration of Deputy Municipal Manager - Planning & Economic Development

Annual remuneration	1 094 382	995 869
Backpay	8 852	310 449
Contributions to UIF and other	1 896	1 890
Travel allowance	365 133	174 378
	1 470 263	1 482 586

2019/2020

The Council approved a yearly cost of living increase effective from 1 July 2019(KCDMC: 2198/2019 - 15 August 2019).

2018/2019

Backpay as approved by Council on 13 December 2018 (KCDMC:1707/2018) was paid to the Deputy Municipal Manager Planning and Economic Development in order to align her salary to that of all Section 56 managers. The backpay was for two (2) months of 2017/2018 and six (6) months of 2018/2019.

Remuneration of Deputy Municipal Manager - Technical Services

Annual remuneration	569 423	1 150 241
Acting allowance	72 618	51 094
Backpay	11 803	418 616
Contributions to UIF, medical aid and other	1 215	1 890
Leave pay	120 151	-
	775 210	1 621 841

2019/2020

The Council approved a yearly cost of living increase effective from 1 July 2019(KCDMC: 2198/2019 - 15 August 2019). During the year under review the position was vacant from 1 September 2019 to 29 February 2020. In this period an acting allowance was paid to an incumbent amounting to R72 618.

2018/2019

In the year an acting allowance of R51 094 was paid to an incumbent for duties pertaining to the Municipal Manager position for the period 1 July 2018 to 30 October 2018. The position of Municipal Manager was subsequently filled on 1 November 2018. Backpay as approved by Council on 13 December 2018 (KCDMC:1707/2018) was paid to the Deputy Municipal Manager Technical Services in order to align his salary to that of all Section 56 managers. The backpay is for five (5) months of 2017/2018 and six (6) months of 2018/2019.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
24. Employee related costs (continued)		
Remuneration of Deputy Municipal Manager - Corporate Services		
Annual remuneration	-	298 479
Annual bonus	-	82 911
Acting allowance	103 824	67 493
Contributions to UIF and other	-	621
Travel allowance	-	91 202
	103 824	540 706

2019/2020

During the year under review the position was vacant for the full year. In this period an acting allowance was paid to an incumbent amounting to R103 824. The position was advertised and is in the recruitment process.

2018/2019

In the year the position of Deputy Municipal Manager Corporate Services became vacant on 1 October 2018 and an acting allowance of R67 493 was paid to an incumbent for fulfilling the duties pertaining to the Deputy Municipal Manager Corporate Services Department.

Remuneration of Deputy Municipal Manager - Community Services

Annual remuneration	932 860	1 226 544
Acting allowance	46 164	81 177
Backpay	10 344	-
Contributions to UIF, medical, pension and other	172 812	207 294
Leave pay	181 250	-
Travel allowance	239 241	236 680
	1 582 671	1 751 695

2019/2020

The Council approved a yearly cost of living increase effective from 1 July 2019(KCDMC: 2198/2019 - 15 August 2019). In the year under review an acting allowance of R46 164 was paid to the incumbent for fulfilling the duties pertaining to the Deputy Municipal Manager Corporate Services Department.

2018/2019

In the year an acting allowance of R81 177 was paid to the incumbent for fulfilling the duties pertaining to the Deputy Municipal Manager Corporate Services Department.

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24. Employee related costs (continued)

Remuneration of Chief Operating Officer

Annual Remuneration	1 305 966	835 150
Arbitration award	-	3 118 556
Backpay	10 648	-
Contributions to UIF and pension funds	238 009	151 587
Travel allowance	190 218	120 000
	1 744 841	4 225 293

2019/2020

The Council approved a yearly cost of living increase effective from 1 July 2019(KCDMC: 2198/2019 - 15 August 2019).

2018/2019

An arbitration award amounting to R3 118 556 was made by the South African Local Government Bargaining Council in favour of a staff member. The subsequent result of the award was reinstatement of the staff member to an equivalent position and the backpay of salary.

Remuneration of Deputy Municipal Manager - Financial Services

Annual remuneration	1 210 090	1 160 758
Backpay	9 866	-
Contributions to UIF and other	1 896	1 890
Travel allowance	522 828	498 219
	1 744 680	1 660 867

2019/2020

The Council approved a yearly cost of living increase effective from 1 July 2019(KCDMC: 2198/2019 - 15 August 2019).

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25. Remuneration of councillors		
Mayor	985 374	949 044
Deputy Mayor	640 954	682 601
Speaker	804 498	774 610
Chief Whip	817 370	727 985
MPAC Chair	704 795	678 103
Executive Committee	4 795 636	4 118 047
Councillors	3 127 422	2 761 961
Councillors' pension contribution	1 086 782	987 132
	12 962 831	11 679 483

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chair and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council, which is included with expenditure items in the statement of financial performance. The remuneration of councillors includes remuneration, cellular allowance, backpay, sitting allowance, pension and travel. The pension for all councillors is disclosed under the line item councillors pension contribution.

The Mayor, Deputy Mayor and Speaker have the use of a Council owned vehicle together with a driver for official duties, and security. Furthermore, personal security is provided for some Exco and Council members based on security assessments, as outlined in the Government Gazette on the Determination of upper limits of salaries, allowances and benefits of municipal councils.

Councillors receive the benefit of special risk insurance cover (SASRIA) as provided for in terms of the upper limits of salaries, allowances and benefits of the different members of municipal councils, as determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998. South African Special Risk Insurance Association (SASRIA) covers the loss of damage to a councillor's personal immovable and movable property and assets, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder.

The full breakdown of the councillor remuneration is disclosed under the note on related parties, note 38.

2018/2019

In the year an Exco member passed away in August 2018 and the vacancy was filled in December 2018. In addition and subsequent to the National elections held on 8 May 2019, two members of the Councils Executive committee resigned on 15 May 2019 and 17 May 2019 to take up posts as members of Parliament.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
26. Depreciation, amortisation and impairment		
Property, plant and equipment	101 603 491	77 069 452
Intangible assets	1 228 105	777 005
	102 831 596	77 846 457

Depreciation, amortisation and impairment has been restated by an amount of R3 095 578 from R74 750 880 to R77 846 458 - refer to note 40.

27. Finance costs

Interest paid - long term liabilities	4 580 961	5 322 141
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Finance charges relate to the two annuity loans currently held with ABSA and INCA with balances of R21 130 446(2018/2019 - R24 979 601) and R10 733 346 (2018/2019 R13 553 713) as at 30 June 2020 respectively.

28. Bulk purchases

Water	75 545 639	39 704 190
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The comparative figure for bulk purchases has been restated by an amount of R503 304 from R39 200 886 to R39 704 190 - refer to note 40.

2019/2020

In the previous financial year the municipality had lodged a dispute with the bulk water service provider regarding the tariff being applied to the municipality account. In this regard included in the amount of R75 545 639 reflected, the service provider's invoices have been recorded at a lower tariff as outlined in the service provider tariff schedule. The dispute has not yet been resolved however both parties are engaging on the matter. A contingent liability has been recorded on note 37.

2018/2019

In the year the municipality had lodged a dispute with the bulk water service provider regarding the tariff being applied to the municipality account. In this regard included in the restated amount of R39 704 190 reflected, the service provider's invoices have been recorded at a lower tariff as outlined in the service provider tariff schedule. The dispute has not yet been resolved however both parties are engaging on the matter. A contingent liability has been recorded on note 37.

29. Transfers and subsidies

Other subsidies

KZ 282 uMhlathuze Municipality	500 000	130 000
KZ 284 Umlalazi Municipality	-	100 000
Transfers to organisations	1 500 000	5 125 000
King Cetshwayo Fresh Produce Market (Pty) Ltd	-	14 000 000
	2 000 000	19 355 000

King Cetshwayo District Municipality
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
30. Contracted services		
Outsourced Services		
Burial services	130 089	386 968
Business and advisory	612 530	1 469 583
Call centre	1 875 690	1 664 872
Catering services	3 022 625	4 957 925
Cleaning services	40 229	30 500
Hygiene services	311 033	43 665 607
Internal auditors	1 887 823	2 290 184
Meter management	379 096	18 018
Medical services (medical health services & support)	103 329	82 128
Mini dumping sites	12 267 306	-
Professional staff	679 367	1 037 643
Security services	4 706 987	4 803 784
Transport services	872 768	612 053
Consultants and Professional Services		
Business and advisory	5 122 919	4 277 619
Infrastructure and planning	7 187 539	14 054 693
Laboratory services	-	72 500
Legal cost	17 830 250	4 648 697
Contractors		
Artists and performers	410 420	1 098 833
Auctioneers	-	114 000
Event promoters	12 889	2 982 750
Exhibit installations	-	376 296
Fire protection	272 265	705 397
Fire services	2 500	86 865
Inspection fees	164 164	133 662
Maintenance and operations	187 927 567	204 872 008
Medical Services	86 859	-
Pest Control and Fumigation	7 800	-
Safeguard and security	6 527 275	5 266 330
Sports and recreation	69 430	100 000
Stage and sound crew	150 980	566 675
Transportation	99 586 923	57 613 058
	352 248 652	357 988 648

The comparative figure for contracted services has been restated by an amount of R3 134 977 from R361 123 625 to R357 988 648 - refer to note 40.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
31. Operational Costs		
Achievements and awards	5 900	50 539
Advertisements and publicity	5 677 846	6 655 067
Archives	258 868	241 345
Bank charges	271 470	184 838
Bursaries	919 953	798 139
Cleaning services	6 600	-
Courier and delivery services	21 326	39 045
Deeds	15 659	15 371
Delegations	222 017	283 698
Entrance fees	8 400	-
External audit fees	4 145 622	3 827 583
Insurance	4 740 321	4 934 786
Inventory consumable stores	5 767 833	6 448 222
Inventory - materials and supplies	10 583 185	6 067 328
Landfill site rehabilitation	901 863	1 586 048
Licenses	5 586 884	4 178 621
Municipal services	40 837 359	37 087 649
Operating leases	15 688 681	27 374 403
Personnel agency fees	100 452	566 201
Personal protective equipment	1 092 943	908 331
Postage	391 270	519 503
Professional and regulatory bodies fees	2 088 921	2 867 114
Skills development levy	1 628 512	1 794 065
Small tools	79 180	183 808
Subsistence and travelling	6 818 280	8 325 291
Telephone	4 038 119	3 301 779
Vehicle tracking services	18 734	4 684
	111 916 198	118 243 458

The comparative figure for operational costs has been restated by an amount of R3 428 492 from R121 671 950 to R118 243 458 - refer to note 40.

Operating leases - as lessee (expense)

Minimum lease payments due

- not later than one year	11 776 963	11 748 625
- later than one year and not later than five years	107 200	11 699 493
	11 884 163	23 448 118

Operating lease payments represent payments for the leasing of vehicles and commercial property by the municipality. Lease contracts for vehicles are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. A number of the previous lease agreements were extended in the 2016/2017 financial year via section 116 of the Municipal Finance Management Act on a month to month basis. The month to month arrangement ended in 2018/2019 through a phased in delivery period of the new fleet arrangement. The new awarded service provider(KCDM/08/2018) commenced with the provision of vehicles on 1 September 2018 with a contract end date of 30 June 2021. The commercial property leases are for business operations and the lease agreements are usually for a three to four year period.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
32. Cash generated from operations		
Surplus	164 202 187	41 925 446
Adjustments for:		
Depreciation, amortisation and impairment	102 831 596	77 846 457
Loss/(Gain) on sale/disposal of property, plant and equipment	6 877 522	(254 956)
Fair value adjustments	(13 138)	(47 933)
Finance costs	4 580 961	5 322 141
Debt impairment	6 259 592	8 753 607
Movements in defined employee benefit obligations	1 994 124	4 223 876
Movements in provisions	2 128 817	2 439 151
Transfer of functions between entities under common control	(260 237)	-
Changes in working capital:		
Inventories	(2 573 963)	(4 522 173)
Receivables from non exchange transactions	859 525	2 310 581
Receivables from exchange transactions - consumer debtors	(14 331 366)	(10 935 831)
Investments in municipal entities	1 000	-
Payables exchange transactions	124 555 314	(21 713 037)
Receivables from exchange transactions - VAT	(37 224 582)	11 884 729
Unspent transfers and subsidies	(39 100 927)	89 954 616
Consumer deposits	41 652	46 771
Other non-cash items: accruals	(76 780 138)	(7 577 172)
	244 047 939	199 656 273

33. Commitments

Authorised capital expenditure

Approved and Contracted for:

• Infrastructure	315 325 541	466 929 276
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This expenditure will be financed from:

Transfers and subsidies	314 612 345	466 516 449
Internal funding	713 197	412 827
	315 325 542	466 929 276

Total commitments

Authorised capital expenditure	315 325 542	466 929 276
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The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Municipal Manager prior to 30 June 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.

The deviations greater than R 200 000 are listed individually below for the period ended 30 June 2020 in categories as follows:

-36(1)(a) i - Dispense with official procurement processes in an emergency;

-36(1)(a) ii - Dispense with official procurement processes if such goods or services are produced or available from a single provider only;

-36(1)(a) v - Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

<u>Project description</u>	<u>Nature</u>	<u>R</u>
Dispense with official procurement processes in an emergency		
Provision of water tanker service - drought relief	36 (1)(a) i	23 866 525
Provision of water tanker service - drought relief	36 (1)(a) i	85 792 420
Provision of water tanker service - drought relief	36 (1)(a) i	832 344
	-	110 491 289
Dispense with official procurement processes if such goods or services are produced or available from a single provider only		
Upgrading of IT production environment	36 (1)(a) ii	227 123
Renewal of software licence	36 (1)(a) ii	239 200
Provision of IMQS asset professional services	36 (1)(a) ii	389 082
	-	855 405
Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.		
Development of boreholes	36 (1)(a) v	3 203 910
Provision of water supply extensions	36 (1)(a) v	714 591
Provision of water supply extensions	36 (1)(a) v	1 170 241
Supply, deliver and install water tank stands	36 (1)(a) v	412 850
Provision of water supply extensions	36 (1)(a) v	1 339 692
Development of springs	36 (1)(a) v	1 500 000
Development of springs	36 (1)(a) v	1 500 000
Provision of water supply extensions	36 (1)(a) v	699 843
Provision of water supply extensions	36 (1)(a) v	4 650 470
Development of a package plant	36 (1)(a) v	3 500 000
Development of springs	36 (1)(a) v	1 500 000
Development of springs	36 (1)(a) v	1 500 000
Development of boreholes	36 (1)(a) v	3 529 015
Provision of water supply extensions	36 (1)(a) v	668 817
Installation of steel reservoir tank	36 (1)(a) v	1 200 000
Refurbishment of water treatment works	36 (1)(a) v	7 064 077
Provision of an in-house call centre	36 (1)(a) v	7 785 260
Provision of non revenue water reduction services	36 (1)(a) v	45 584 275
Provision of non revenue water improvements	36 (1)(a) v	4 965 318
Provision of non revenue water improvements	36 (1)(a) v	4 412 342
	-	96 900 701

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Deviation from supply chain management regulations (continued)

Provision of Solar servers	36 (1)(a) v	1 223 119
Provision of transport services - delivery of static tanks	36 (1)(a) v	451 806
Extension of the provision of plant hire services	36 (1)(a) v	1 131 083
Provision of security services	36 (1)(a) v	9 916 863
Provision of legal services	36 (1)(a) v	4 055 229
Provision of legal services	36 (1)(a) v	16 453 601
Provision of architectural services	36 (1)(a) v	265 996
Provision of architectural services	36 (1)(a) v	432 197
Provision of architectural services	36 (1)(a) v	650 000
		34 579 894
Total deviations less than R200 000 aggregated	Various	2 802 915
		245 630 204

The deviations for the 2018/2019 financial year amounted to R119 439 532.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. Awards to close family members of persons in the service of the state

Paragraph 45 of the Municipal Finance Management Act, 2003(Act no. 56 of 2003); Municipal Supply Chain Management Regulations states that the particulars of any award more than R 2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve(12) months must be disclosed as a note in the financial statements. The details are listed below for the year ended June 2020:

Name of person	N Reddy
Relation	Spouse
Capacity	Prosecutor - NPA Verulam Court
Service provider	Fana Manufacturing cc
Number of transactions	31
Total amount	R1 037 147
Declaration by supplier	MBD4, Annexure d
Name of person	Z Buthelezi
Relation	Mother
Capacity	Librarian - uMhlathuze Local Municipality
Service provider	Zidane Management Trading
Number of transactions	13
Total amount	R404 530
Declaration by supplier	MBD4, Annexure d
Name of person	Mrs Msomi and Miss Msomi
Relation	Spouse and daughter
Capacity	Department of Education and Ethekwini Municipality
Service provider	Ngubane and Co
Number of transactions	18
Total amount	R2 081 012
Declaration by supplier	MBD4, Annexure d
Name of person	SD Mthethwa
Relation	Spouse
Capacity	South African Police Services
Service provider	Okhubazi Projects
Number of transactions	1
Total amount	R165 092
Declaration by supplier	MBD4, Annexure d
Name of person	T Jordan
Relation	Spouse
Capacity	Deputy Manager: Development Administration uMhlathuze Local Municipality
Service provider	Audio computer world
Number of transactions	34
Total amount	R287 430
Declaration by supplier	MBD4, Annexure d

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
36. Additional disclosure in terms of Municipal Finance Management Act No 56 of 2003		
Contributions to organised local government		
Current year membership fee	2 001 827	2 361 083
Amount paid - current year	(2 001 827)	(2 361 083)
	-	-
Audit fees		
Current year fee	4 060 722	3 781 905
Amount paid - current year	(85 978)	(375 399)
Amount paid - previous year	(3 974 744)	(3 406 506)
	-	-
PAYE and UIF		
Current year subscription / fee	40 974 593	39 017 235
Amount paid - current year	(40 974 593)	(39 017 235)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	32 961 523	30 411 437
Amount paid - current year	(32 961 523)	(30 411 437)
	-	-
VAT		
VAT receivable	84 572 080	47 347 498

2019/2020

All VAT 201 returns have been submitted by the due date throughout the 12 months. The VAT 201 returns for the months of March to June 2020 had not yet been settled as at 30 June 2020.

2018/2019

All VAT 201 returns have been submitted by the due date throughout the 12 months. The VAT 201 returns for the months of May 2019 to June 2019 had not yet been settled as at 30 June 2019, however the May 2019 return was subsequently settled by SARS in July 2019.

Councillors arrear consumer accounts

At the reporting date no Councillors had arrear accounts outstanding for more than 90 days.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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37. Contingent liabilities

A -Legal matters potential claims

5. Service provider 2	-	3 750 000
7. Public member 1	46 389	46 389
8. Service provider 3	7 438 548	-
9. Service provider 4	37 551 441	-
	45 036 378	3 796 389

B - Legal matters estimated costs

1. Ex-employee 1	600 000	600 000
2. Consulting engineers 1	300 000	300 000
3. Contractor 1	-	250 000
4. Service provider 1	40 000	40 000
5. Service provider 2	-	105 584
6. Debtor 1	-	100 000
7. Public member 1	70 000	150 000
	1 010 000	1 545 584

1. Ex-employee 1

The municipality has taken legal action against an ex-employee who made an illegal investment. The matter is being dealt with by the high court. The appointed legal team has commenced with pre-trial preparations with the appointed advocate. Trial dates are pending.

2. Consulting engineers 1

This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim and the matter is ready for trial and on the trial awaiting list.

3. Contractor 1

The municipality has taken legal action against a contractor for non performance and relates to the claim referred to in point 2 above. The matter is with the high court, however it may not come before the court as it is our legal teams view that the Consultant is liable for all costs.

4. Service provider 1

This is a high court claim in which an order of re-payment was obtained against the service provider.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

37. Contingent liabilities (continued)

5. Service provider 2

The matter refers to a civil litigation suite based on a repudiation of a contract to supply certain services to the municipality. The service provider has instituted action against King Cetshwayo District Municipality at Durban High Court for an original R11m claim. The Plaintiff had amended its particulars of claim to R3,750 ml. The defendants had in turn delivered a plea wherein a special plea had been raised together with a counter claim seeking an order to declare the purported contract unlawful. Furthermore, the plaintiff has so far failed to plead to the defendants counter claim. Attorneys for the plaintiff have indicated that the plaintiff is no longer pursuing the claim against the municipality. In this regard the attorneys will in due course file the withdrawal notice of this matter.

6. Debtor 1

This is a dispute between the Home Owners Association and the Municipality regarding a contractual matter with regards to the responsibility of the reticulation system within the estate. The home owners association have not instituted any legal action against the municipality but have opted for the matter to be resolved amongst the parties.

7. Public member 1

This is a claim for damages arising from a motor vehicle collision between a Council employee and a member of the public. Pleadings have been closed and the plaintiff is to set the matter down for trial.

8. Service provider 3

This is a claim lodged by a service provider for an alleged breach of contract by the municipality. A ILPACOSA notice has been issued however no summons has been received at reporting date.

9. Service provider 4

This is a claim by a service provider against the municipality in terms of a submitted settlement.

The contingent liabilities relating to legal claims of R45 036 378 with associated estimated legal fees and other costs of R1 010 000 (2019 - R3 796 389 and R1 545 584) mentioned above is both the liability and generally estimated costs associated with these stated litigation processes.

C - Dispute with bulk water service provider 1

In the prior year under review, the municipality had lodged a dispute with the bulk water service provider regarding the tariff being applied to the municipality account. In this regard the applicable invoices raised by the service provider have been recorded at a lower tariff as outlined in the service provider tariff schedule. The dispute has not yet been resolved, however both parties are engaging on the matter. A contingent liability has been disclosed amounting to R 54 540 317.

D - Dispute with the Department of Water and Sanitation (DWS)

A dispute has arisen between the municipality and the DWS with regard to charges which have been levied by the department against the municipality pertaining to raw water abstraction.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The dispute has arisen due to the department charging the municipality for water abstracted from the abstraction points under the control of the municipality, when no water was available due to the ongoing drought in the region. The municipality believes that it should not be charged for water that could not be delivered due to the drought. Emanating from numerous meetings with DWS, the department has requested the municipality to make a formal application to the department, requesting the reversal of all interest charges, the crediting of erroneous invoices and the substitution of corrected invoices based on actual water abstracted from the various abstraction points. The readings have been forwarded to the department for the process to be concluded. A contingent liability has been disclosed amounting to R 34 708 927.

In light of the above, an accrual has been made on the basis of the application being accepted by the department.

The tables below outlines the contingent liability as listed above.

C - Dispute with bulk water service provider 1

Total raised by service provider 1 since dispute	R 235 322 890
Total paid by municipality since dispute	(180 782 573)
	54 540 317

D - Dispute with the Department of Water and Sanitation (DWS)

Total invoices raised by DWS since dispute	R 67 058 491
Less: Contingent liability - Pre 2012 invoices to be credited by DWS as per motivational correspondence from Provincial Treasury	(7 554 689)
Less: Contingent liability - interest to be reversed on disputed invoices	(8 568 940)
Less: Contingent liability - Charges raised without supporting documents	(6 337 729)
Accrued expenses	(9 888 206)
	34 708 927

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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38. Related parties

Municipal entities and other relationships

uThungulu House Development Trust	Refer to note 11
King Cetshwayo Fresh Produce Market (Pty) Ltd	Refer to note 11
Members of key management	Refer to note 24
Members of council	Refer to note 25

Related party balances

Investment in municipal entities

uThungulu House Development Trust	760 849	725 877
King Cetshwayo Fresh Produce Market (Pty) Ltd	-	1 000

Employee secondment to King Cetshwayo Fresh Produce Market (PTY) Ltd

Acting Chief Financial Officer	1 343 061	593 150
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The municipality seconded a senior finance manager from the municipality to act as the Chief Financial Officer from January 2019 to the conclusion of the entity.

% Interest in municipal entities

uThungulu House Development Trust	100	100
King Cetshwayo Fresh Produce market (Pty) Ltd	-	100

Transfers and subsidies

King Cetshwayo Fresh Produce Market (Pty) Ltd	-	14 000 000
uMlalazi Municipality	-	100 000
uMhlathuze Municipality	500 000	130 000

uThungulu House Development Trust

uThungulu House Development Trust leased immovable property to the uThungulu Financing Partnership in terms of a financing lease. The original lease period expired on 31 October 2017, resulting in the end of the uThungulu Financing Partnership. The municipality had consulted Council's attorneys regarding the different options in terms of the dissolution of the Trust. Council has taken a resolution to dissolve the uThungulu House Development Trust which is administering the building. The subsequent processes were initiated and the conveyance process is in the final stages with the anticipated finalisation being in the 2020/2021 financial year.

King Cetshwayo Fresh Produce Market (PTY) Ltd

The Council embarked on the establishment of an entity known as the King Cetshwayo Fresh Produce Market (Pty) Ltd (formerly known as the uThungulu Fresh Produce Market (Pty) Ltd, which was incorporated on 23 June 2015 and commenced activities on 1 July 2015 (previously dormant). The municipality had taken cognisance that the King Cetshwayo Fresh Produce Market (Pty) Ltd has encountered challenges around being a going concern and as such Council resolved to de-establish the entity with all the assets and liabilities to be incorporated into the municipality. The Entity was deregistered on 14 February 2020 per CIPC publication notice number 25-A / 201917 in terms of section 82 (3) of the Companies Act, 2008.

The above mentioned entities are incorporated in South Africa.

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

38. Related parties (continued)

Remuneration of councillors

2019/2020

	<u>Remuneration</u>	<u>Cellular</u>	<u>Backpay</u>	<u>Sitting</u>	<u>Pension</u>	<u>Travel</u>	<u>Total</u>
Mayor - NNP Mkhulisi	914 299	40 800	30 275	-	102 424	-	1 087 798
Deputy Mayor - BL Phungula	588 279	34 000	18 675	-	91 043	-	731 997
Speaker - KER Hadebe	737 256	42 000	24 220	-	76 122	1 023	880 621
Chief Whip - IT Gcabashe	690 092	42 000	22 706	-	72 449	62 573	889 820
MPAC Chair - N Naidoo	641 551	42 000	21 243	-	99 419	-	804 213
Cllr ES Mbatha - Exco	665 307	42 000	21 886	-	98 055	117 000	944 248
Cllr IJ Naidoo	707 952	42 000	22 706	-	54 589	-	827 247
Cllr PC Cele	571 226	34 000	18 165	-	64 981	76 777	765 149
Cllr CPG Cele	685 723	42 000	22 706	-	76 818	62 383	889 630
Cllr JD Vilakazi	691 352	42 000	22 706	-	71 189	79 983	907 230
Cllr FC Xulu	698 308	42 000	22 706	-	64 233	64 751	891 998
Cllr MM Ngobese - Council	278 883	42 000	9 235	-	43 218	372	373 708
Cllr NC Mthalande	289 341	42 000	9 581	-	32 414	85 540	458 876
Cllr JM Mathaba	289 341	40 800	9 581	-	32 414	-	372 136
Cllr TO Ndhlela	289 341	42 000	9 581	-	32 414	57 146	430 482
Cllr M Mtshali	289 968	42 000	9 581	-	31 786	57 188	430 523
Cllr BN Buthelezi	278 883	40 800	9 235	-	43 214	744	372 876
Cllr SW Mgenge	-	-	721	20 240	-	-	20 961
Cllr ZD Mfusi	-	-	636	19 179	-	-	19 815
Cllr XM Bhengu	56 828	-	2 077	1 061	-	33 365	93 331
Cllr MG Mhlango	-	-	636	19 179	-	-	19 815
Cllr SG Mkhize	-	-	636	18 076	-	-	18 712
Cllr M Lourens	-	-	764	23 422	-	2 614	26 800
Cllr DJ Ndimande	-	-	552	18 118	-	-	18 670
Cllr KD Sibiyi	-	-	764	22 362	-	-	23 126
Cllr KE Ndlovu-Nkosi	-	-	764	22 362	-	-	23 126
Cllr JZ Mabuyakhulu	-	-	679	20 240	-	32 452	53 371
Cllr EM Masikane	-	-	509	15 997	-	-	16 506
Cllr CJ Mkhulisi Khumalo	-	-	891	27 751	-	23 671	52 313
Cllr SP Mthembu	-	-	679	20 240	-	186	21 105
Cllr TB Zulu	-	-	594	19 222	-	-	19 816
Cllr CT Dlamini	-	-	721	22 362	-	-	23 083
Cllr BP Simelane	-	-	594	18 118	-	-	18 712
Cllr NL Ngidi	-	-	976	28 726	-	41 537	71 239
Cllr MJ Xulu	-	-	679	20 240	-	-	20 919
Cllr NR Xulu	-	-	721	21 343	-	36 738	58 802
Cllr TF Nxumalo	56 828	-	2 077	-	-	29 576	88 481
Cllr SS Cele	56 828	-	2 077	-	-	9 528	68 433
Cllr PT Mbatha	-	-	764	23 422	-	-	24 186
Cllr NPN Magubane	-	-	467	15 997	-	34 515	50 979
Cllr FM Thusi	28 320	-	-	-	-	9 658	37 978
BS Mthembu - Sec 81	-	-	-	7 000	-	-	7 000
VT Dube - Sec 81	-	-	-	5 250	-	-	5 250
MT Zuma - Sec 81	-	-	-	1 750	-	-	1 750
	9 505 906	694 400	324 766	431 657	1 086 782	919 320	12 962 831

King Cetshwayo District Municipality
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

38. Related parties (continued)

2018/2019

	<u>Remuneration</u>	<u>Cellular</u>	<u>Backpay</u>	<u>Sitting</u>	<u>Pension</u>	<u>Travel</u>	<u>Total</u>
Mayor - NNP Mkhulisi	890 778	40 800	17 466	-	98 484	-	1 047 528
Deputy Mayor - AH Mthembu	630 717	35 865	13 973	-	62 962	2 046	745 563
Speaker - KER Hadebe	718 070	40 800	13 973	-	73 339	1 767	847 949
Chief Whip - IT Gcabashe	672 174	40 800	13 100	-	69 772	1 912	797 758
MPAC Chair - N Naidoo	625 047	40 800	12 256	-	95 595	-	773 698
Cllr ES Mbatha - Exco	648 026	40 800	12 626	-	94 393	53 347	849 192
Cllr IJ Naidoo	690 318	40 800	13 100	-	51 628	-	795 846
Cllr PG Dlolane	67 209	3 948	-	-	5 587	-	76 744
Cllr TVB Mchunu	590 445	35 645	13 100	-	55 619	93	694 902
Cllr CPG Cele	668 082	40 800	13 100	-	73 863	-	795 845
Cllr JD Vilakazi	673 318	40 800	13 100	-	68 627	4 485	800 330
Cllr FC Xulu	424 746	23 800	2 183	-	36 155	4 177	491 061
Cllr FC Xulu - Council	116 994	17 000	5 105	-	10 646	-	149 745
Cllr NC Mthlana	281 897	40 800	5 527	-	31 167	31 620	391 011
Cllr JM Mathaba	281 897	40 800	5 527	-	31 167	-	359 391
Cllr TO Ndhela	281 897	40 800	5 527	-	31 167	-	359 391
Cllr M Mtshali	281 897	40 800	5 527	-	31 167	20 935	380 326
Cllr BN Buthelezi	160 716	23 800	888	-	24 241	-	209 645
Cllr MM Ngobese	271 708	40 800	5 327	-	41 555	-	359 390
Cllr SW Mgenge	-	-	245	9 302	-	-	9 547
Cllr ZD Mfusi	-	-	367	17 666	-	-	18 033
Cllr XM Bhengu	55 368	-	1 270	-	-	26 859	83 497
Cllr MG Mhlongo	-	-	245	12 403	-	-	12 648
Cllr SG Mkhize	-	-	326	19 747	-	-	20 073
Cllr M Lourens	-	-	449	30 192	-	-	30 641
Cllr DJ Ndimande	-	-	245	16 646	-	-	16 891
Cllr KD Sibiya	-	-	245	14 606	-	-	14 851
Cllr KE Ndlovu - Nkosi	-	-	367	16 606	-	279	17 252
Cllr JZ Mabuyakhulu	-	-	408	15 463	-	17 600	33 471
Cllr EM Masikane	-	-	326	15 545	-	-	15 871
Cllr CJ Mkhulisi Khumalo	-	-	408	23 909	-	14 020	38 337
Cllr SP Mthembu	-	-	408	19 706	-	186	20 300
Cllr TB Zulu	-	-	82	7 344	-	-	7 426
Cllr CT Dlamini	-	-	286	17 666	-	-	17 952
Cllr BP Simelane	-	-	286	13 464	-	-	13 750
Cllr NL Ngidi	-	-	367	21 828	-	12 222	34 417
Cllr MJ Xulu	-	-	244	16 646	-	-	16 890
Cllr NR Xulu	-	-	408	21 828	-	5 397	27 633
Cllr TF Nxumalo	53 021	-	3 619	-	-	-	56 640
Cllr SS Cele	55 550	-	1 089	-	-	-	56 639
Cllr PT Mbatha	-	-	530	31 171	-	-	31 701
Cllr NPN Magubane	27 231	-	-	10 608	-	10 239	48 078
Cllr FM Thusi	23 600	-	21 085	12 322	-	14 373	71 380
BS Mthembu - Sec 81	-	-	-	8 750	-	-	8 750
MM Mkhwanazi - Sec 81	-	-	-	3 500	-	-	3 500
V Biyela - Sec 81	-	-	-	10 500	-	-	10 500
ZD Mpungose - Sec 81	-	-	-	1 750	-	-	1 750
VT Dube - Sec 81	-	-	-	10 500	-	-	10 500
MT Zuma - Sec 81	-	-	-	5 250	-	-	5 250
	9 190 706	670 458	204 710	404 918	987 134	221 557	11 679 483

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

39. Budget and Actual amount variances

The budget has been prepared for the 2019/2020 financial year on the accrual basis of accounting in accordance with the prescripts of the Municipal Budget Regulations as well as the Municipal Finance Management Act budget circulars. Variances between the approved and final budgets are mainly due to reallocations within the approved budget parameters allowed for by the approved virement policy of Council.

Variances greater than 10 % and a value greater than R500 000 between the final budget and actual amounts as referenced on The Statement of Comparison of Budget and Actual amounts, as reflected on page 9 to page 11 have been deemed material and explanations thereto are set out below:

Statement of financial performance

39.1 Other income

The variance between the budget and actual amounts are attributable mainly to the insurance refunds expected and tender deposits sales decreasing. The insurance refunds are based on estimates and depends on claims submitted. In terms of the tender deposits a decrease in sales was impacted by the fact that service providers can now access the document on line, which makes it difficult to ascertain a budget for these sales.

39.2 Donations

The variance is attributable to a donation received from Department of Co-operative Governance and Traditional Affairs and the Department of Water and Sanitation, which was not anticipated and as such not budgeted for in the year.

39.3 Bulk purchases

The variance between the budget and actual amounts are attributable mainly to newly identified meters and subsequent invoices received from the bulk water provider, which were not budgeted for as this was identified in the latter part of the financial year.

Statement of financial position

39.4 Inventories

The variance is attributable to the prudent setting of stock holdings thereby ensuring inventory is available for projects, furthermore the inventory holding was increased in order to cater for hand pump spares for drought stricken areas. Also to note that water stock holding was not budgeted for as the municipality is busy with the water demand management systems. A further variance is as a result of the donation of static tanks from the Department of Co-operative Governance and Traditional Affairs and the Department of Water and Sanitation as part of the KZN water sector COVID-19 plan.

39.5 Receivables from exchange transactions - consumer debtors and VAT

The variance is mainly attributable to the increase in outstanding debtors in all the categories of consumers over the last quarter of the financial year. The increase in these consumer categories is as a result of economic pressures brought upon by the COVID-19 pandemic, which negatively impacted the ability of households, businesses and government institutions to settle their municipal accounts. The budget assumption for VAT receivable is that SARS will refund VAT claimable in a timely manner and thus no budget allocation is assigned thereto.

39.6 Receivables from non exchange transactions

The variance is mainly attributable to unanticipated non exchange transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

39. Budget and Actual amount variances (continued)

39.7 Cash and cash equivalents

The variance is mainly attributable to the unspent transfers and subsidies at year end and the impact of expenditure in the lockdown periods.

39.8 Investments in municipal entities

The variance is attributable to the timing of the finalisation of the dissolution of the Uthungulu House Development Trust which the exact timing thereof is difficult to estimate accurately. The final distribution is to be received upon the dissolution of the Uthungulu House Development Trust

39.9 Property, plant, equipment and intangible assets

The variance is mainly attributable to the under spending on capital budgets as a result of COVID-19.

39.10 Payables from exchange transactions

The variance is attributable to an increase in spend on both operational and capital project towards the latter part of the year and related accruals as a result of lockdown, which is difficult to estimate accurately. Furthermore the under budgeting of accruals for certain expenditure has also contributed to the variance.

39.11 Consumer deposits

The variance is mainly attributable to an amendment in the 2019/2020 credit control bylaws which exempts consumers from an additional deposit increase should their debts not be greater than 30 days as at review date. In this regard it is difficult to anticipate which consumers may or may not pay. Furthermore a number of consumers moved from a conventional meter to a prepaid metering system and thus no deposits for water services are raised.

39.12 Defined employee benefit obligations and Provisions - current and non current

The variance for defined benefits is mainly attributable due the fact that the budget has been accommodated for both the defined benefits and provision together, while the actuals have been recorded separately. This will be corrected going forward.

39.13 Unspent transfers and subsidies

The municipality budgeted on fully expending grant allocations received for the year, however an amount of R53 794 242 remained unspent at year end. The variance is attributable mainly to the challenges experienced in the roll out of infrastructure projects during the National lockdown period, thus not spending the full grant allocations received from funders.

Cash flow statement

39.14 Finance costs

The variance is attributable to the budget being split between operating activities and financing activities.

39.15 Payment for property, plant and equipment and intangibles

The variance between budget and actuals is attributable the fact that the budget includes VAT on grants and accruals, as well as the challenges referred to in point 39.9 and 39.13 above.

39.16 Transfer of functions between entities under common control

The variance is attributable to the uncertain timing of the transfer of assets in the form of cash from the King Cetshwayo Fresh Produce Market (PTY) Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

39. Budget and Actual amount variances (continued)

39.17 Repayment of long term liabilities

The variance is attributable to the budget including the current portion of the long term liability.

39.18 Consumer deposits

The movement in consumer deposits is a requirement on the National Treasury budget template, disclosing such under cash flows from financing activities, however the actual movement has been accounted for in the net cash flows from operating activities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Prior-year adjustments

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate effect of the prior year adjustments in the annual financial statements for the period ended 30 June 2020 presented below are items contained in the statement of financial position, statement of financial performance, and statement of changes in net assets that have been affected by prior-year adjustments:

Adjustments to Inventory:

In the year under review the municipality appointed the services of an engineering company to assist the technical department with addressing the water demand management issues relating to water losses for the year and stock holdings at year end. In the process water stock holding was assessed for both water in the reservoirs and water within the bulk pipes and network reticulation (which previously was not taken into account). Furthermore, the application of GRAP 12 for water stock measurement after recognition, in the previous years was applied at the lower of cost and net releasable value for both water sold at a value and for water distributed at no charge. The latter has resulted in an adjustment on both the water stock holding as at 30 June 2019 and application of water distributed at no charge being measured at the lower of cost and current replacement cost.

Adjustments to property, plant and equipment and intangibles:

A) In the current financial year the municipality accounted for prior year corrections to assets under construction, community assets, computer equipment, furniture, infrastructure, motor vehicles, office equipment, plant and machinery and intangibles as follows:

i) Infrastructure assets with a value of R62 411 382 were completed in the previous financial years and transferred from assets under construction. The amount of R55 249 667 pertains to the 2018/2019 opening balance and transfers from assets under construction of R7 161 715 in the 2018/2019 financial year.

ii) Depreciation on completed assets outlined in (i) above have been adjusted by R1 770 334 (R55 249 667) for the opening balance of 2018/2019 and R1 411 408 (R7 161 715) for depreciation in 2018/2019 financial year.

B) Depreciation adjustments on fully depreciated assets still in use by the municipality, have been effected amounting to R2 966 422 on the opening balance for 2018/2019 financial year and R1 695 097 for depreciation in the 2018/2019 financial year.

C) An amount of R1 388 386 was recorded as operational expenditure under contracted services in 2018/2019 instead of assets under construction.

D) The cumulative effect on the carrying value of Property, plant and equipment and intangibles assets amounts to R523 478 and (R1 445) respectively.

The effect on the statement of position, performance and changes in net assets is outlined below: Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

King Cetshwayo District Municipality
Annual Financial Statements for the year ended 30 June 2020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Prior-year adjustments (continued)

Statement of financial position

2018/2019

		As previously reported	Adjustment depreciation RUL	Adjustment depreciation/ derecognition assets	Adjustments additions	Adjustment inventories	Restated
Effect on current assets - inventories	2	5 843 562	-	-	-	4 671 779	10 515 341
Effect on non current assets - Property, plant and equipment	8	2 402 997 559	1 269 880	(3 181 742)	1 388 386	-	2 402 474 083
Effect on non current assets - intangible assets	9	3 907 600	1 445	-	-	-	3 909 045

Statement of financial performance

2018/2019

		As previously reported	Adjustment depreciation RUL	Adjustment depreciation/ derecognition assets	Adjustments additions	Adjustment inventories	Restated
Effect on gain on disposal of PPE		(265 883)	-	10 927	-	-	(254 956)
Effect on depreciation, amortisation & impairment	26	74 750 880	1 695 097	1 400 481	-	-	77 846 458
Effect on bulk purchases	28	39 200 886	-	-	-	503 304	39 704 190
Effect on contracted services	30	361 123 625	-	-	(1 388 386)	(1 746 591)	357 988 648
Effect on operational costs	31	121 671 950	-	-	-	(3 428 492)	118 243 458
Effect on surplus for the year		38 971 784	(1 695 097)	(1 411 408)	1 388 386	4 671 779	41 925 444
Surplus for the year		635 453 242	-	-	-	-	635 453 242

Statement of changes in net assets

2018/2019

		As previously reported	Adjustment depreciation RUL	Adjustment depreciation/ derecognition assets	Adjustment additions	Adjustments inventories	Restated
Effect on balance as at 1 July 2018		2 484 435 224	2 966 422	(1 770 334)	-	-	2 485 631 312
Effect on balance as at 1 July 2019		2 523 407 009	1 271 325	(3 181 742)	1 388 386	4 671 779	2 527 556 757

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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41. Water distribution losses

2019/2020

The Department of Water and Sanitation considers any losses below that of 25 % as an acceptable norm while National Treasury circular 71 of the Municipal Finance management act 53 of 2006 prescribes a norm of 15% to 30 %. The calculated loss of 56.60% is therefore not within the acceptable norm. The Technical Department has, during the course of 2019/2020, appointed consultants on a multi year project to address water loss management within King Cetshwayo District Municipality. This project is aimed at assisting the municipality to calculate water losses and to implement water reducing loss strategies. The 56.60% represents 9 631 344 kl which equates to R154 415 767 excl. vat.

It must be noted that the 2018/2019 water balancing was based on information from seven(7) water supply schemes, whereas the 2019/2020 water balancing was prepared for all water supply schemes over the four local municipalities, and includes all components of water balancing. The volumes reported in 2019/2020 are therefore considerably higher than the previous financial year.

2018/2019

The Department of Water and Sanitation considers any losses below that of 25 % as an acceptable norm while National Treasury circular 71 of the Municipal Finance management act 53 of 2006 prescribes a norm of 15% to 30 %. The calculated loss of 23.4% is therefore considered acceptable. The 23.4% represents 611 030 kl which equates to R6 296 270 excl. vat, based on approved tariffs.

42. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Unauthorised expenditure

Opening balance	21 501 205	-
Add: Water management - contracted services overspending	-	21 501 205
Less: Water management - contracted services overspending	(21 501 205)	-
Add: Non compliance with MFMA section 1(e)	32 012 839	-
Add: Non compliance with MFMA section 1(e)	40 221 582	-
Add: Depreciation, amortisation and impairment	1 072 881	-
Add: Bulk purchases	9 793 682	-
Closing balance	83 100 984	21 501 205

2019/2020

A) In the year under review the Council approved an adjustments budget on 15 June 2020 KCDMC: 2477/2020 to account for budget relating to the R21 501 205 which was recorded in 2018/2019 at an expenditure type level of contracted services (R18 689 877 expenditure recorded at a vote level and R40 460 289 expenditure recorded at an account level.).

B) The municipality has identified unauthorised expenditure relating to section 1(e) of the MFMA, in that portions of conditional grant allocations from national government have been used for a purpose other than that specified in the relevant conditional grant framework.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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42. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)

Water and Sanitation Infrastructure Grant

The funding request for water supply through water tankers which is beyond the current provisions of the WSIG grant framework has not considered that COVID-19 expenditure may not be capital in nature due to community demands and the inherent nature of the District. In this regard the Council has taken the decision to reprioritise R32 012 839 incl vat of the WSIG grant funding to cart water to the communities effected by the COVID-19 pandemic (KCDMC: 2480/2020 and KCDMC: 2624/2020).

Regional Bulk Infrastructure Grant

The Council has also considered the re-purposing of an amount of R40 221 585 incl vat of the RBIG to the procurement of water tankers. The re-purposing of the grant was considered taking into account the basic needs of the communities during the COVID-19 pandemic and the impact of the pandemic on the health of the Districts citizens. The Council concluded that the re-purposing was in the best interest of the communities ensuring access to water and sanitation services in a sustainable manner (KCDMC:2544/2020).

C)In finalising the annual financial statements and ensuring all expenditure has been accounted for, unauthorised expenditure has been identified amounting to R1 072 881, and R9 793 682 for depreciation, amortization and impairment and bulk purchases respectively ; recorded at an expenditure type level.

In terms of Municipal Finance Management Act No. 56 of 2003 section 32, the municipal manager has informed the Honourable Mayor, Exco, Council, Provincial Treasury, National Treasury and Auditor General of the identified expenditure.

2018/2019

The amount of R21 501 205 recorded at an expenditure type level of contracted services (R18 689 877 expenditure recorded at a vote level and R40 460 289 expenditure recorded at an account level) disclosed above for unauthorised expenditure relates to support service agent expenditure transactions incurred for the maintenance and operations of water and sanitation infrastructure within the district. In terms of Municipal Finance Management Act No. 56 of 2003 section 32, the municipal manager has informed the Honourable Mayor of the identified expenditure and has commissioned the processes as outlined in the MFMA and National Treasury circular 68.

The matter had been reported to the Office of the Auditor General, National Treasury, Provincial Treasury and the Provincial Department of Cooperative Governance and Traditional affairs on 21 August 2019.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
42. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)		
Irregular expenditure		
Opening balance	6 917 532	-
Add: overtime expenditure	-	5 066 537
Less: overtime expenditure	(5 066 537)	-
Add: non-compliance with MFMA	777 116	1 850 995
	2 628 111	6 917 532

2019/2020

Overtime

Subsequent to the matter been reported to Council on 15 April 2019(KCDMC: 1881/2019), the matter was deliberated on at the municipal public accounts committee on 22 August 2019 (KCDMC: 89/2019). The MPAC noted the resolutions of Council, wherein the expenditure was condoned as necessary for the employees to work the time and there was no intention to prejudice Council. The MPAC further endorsed an investigation and the said report is still to serve through the applicable structures.

Non-compliance with Municipal Finance Management Act

The expenditure emanates from a transaction which was entered into in the 2018/2019 financial year and concluded in the 2019/2020 financial year upon being identified as irregular expenditure in the course of the 2018/2019 audit. The municipality has commissioned an investigation as outlined in section 32 of the MFMA and at the date of reporting the investigation was yet to be completed.

2018/2019

Overtime

During the year under review irregular expenditure incurred by the municipality was brought to light during a review of overtime paid by the municipality. The expenditure incurred was caused by the payment of overtime to members of staff per an approved Council policy, who were earning above the legislated threshold as applicable under the Basic Conditions of Employment Act. The approved Council overtime policy did identify certain staff as being emergency and related workers, however there was no exemption applied for.

The matter was reported to Council through item: KCDMC: 1881/2019, it was noted that no application for exemption for the approval of overtime to be paid to staff over the threshold was done. Furthermore the said payments of overtime to staff were made in good faith, with no intention to prejudice Council, or to afford undue benefit to employees. The overtime was required to ensure continued operations so to delivery services. The matter was referred to Municipal Public Accounts Committee for an investigation.

The matter had also been reported to the Office of the Auditor General, National Treasury, Provincial Treasury and the Provincial Department of Cooperative Governance and Traditional affairs on 17 May 2019 and 4 June 2019.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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42. Unauthorised, Fruitless, Wasteful and Irregular expenditure (continued)

Non-compliance with Municipal Finance Management Act

During the financial year transactions pertaining to the SCM processes had been identified as irregular expenditure.

43. Risk management

Capital risk management

The municipality's objectives when managing capital are to safe guard the municipality's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt , which includes the long term liabilities as disclosed in note 13, cash and cash equivalents disclosed in note 7 and equity as disclosed in the statement of financial position.

Financial risk management

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's financial services function monitors and manages the financial risks relating to the operation of the municipality. These risks include credit risk and liquidity risk.

Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities.

The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The trade payables under payables from exchange transactions under note 14 are paid in accordance with Council's creditors, councillors and staff payment policy, being within thirty days of the date of receipt of all correct supporting documents, invoices and statement.

The liquidity ratio is outlined below:

Current assets	669 143 086	609 582 344
Current liabilities	439 134 867	347 555 631
Liquidity ratio	1,52:1	1,75:1

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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43. Risk management (continued)

<u>At 30 June 2020</u>	Carrying value	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years
Long term liabilities	31 863 792	11 250 482	11 250 482	18 137 831
<u>At 30 June 2019</u>	Carrying value	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Long term liabilities	38 533 314	11 250 482	11 250 482	29 388 313

Gearing ratio

The gearing ratio as at June 2020 and June 2019 restated respectively were as follows:

Total borrowings

Long term liabilities	31 863 792	38 533 314
Less: Cash and cash equivalents	<u>507 309 434</u>	<u>495 583 295</u>
Net cash	(475 445 642)	(457 049 981)
Total equity	<u>2 698 193 467</u>	<u>2 527 556 757</u>
Total capital	<u>2 222 747 825</u>	<u>2 070 512 079</u>
	1,43%	1,86%

The comparative figure for total equity for 2018/2019 has been restated by an amount of R4 149 748 from R2 523 407 009 to R2 527 556 757 - refer to note 40.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. Credit risk consists mainly of cash investment deposits, cash equivalents, receivables from exchange and non-exchange transactions. The municipality manages credit risk in its investing activities by only dealing with well established financial institutions of high credit standing and by spreading its exposure over a range of such institutions in accordance with its approved cash banking and investment policy.

Credit risk pertaining to consumer debtors comprise of mainly water, sanitation and refuse users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", which ever procedure is applicable in terms of Council's credit control and debt collection policy. Furthermore the consumer debtors neither past due nor impaired are considered in the impairment assessment at year end as collectible debts as they are further secured by deposits held.

The carrying amount of consumer debtors whose terms have been re-negotiated through an acknowledgment of debt whereby payment terms were extended amounts to R7 484 450.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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43. Risk management (continued)

Certain categories of consumer debtors are recorded as past due, however such debtors are not impaired in compliance with the prescripts of Councils credit control policy which does not permit the impairment of such classes of consumers. Inclusive hereto are debtors within the different organs of State. The disclosure and analysis hereto is reflected in the annual financial statements under note 3 receivables from exchange transactions consumer debtors (National and Provincial Government consumers) and note 5 receivables from non exchange transactions (uMhlathuze Municipality).

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties have similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with credit ratings. The carrying amount of financial assets recorded in the annual financial statements which is net of impairment losses, represents the municipality's maximum exposure to credit risk.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument

Investments	370 000 000	350 000 000
Cash and cash equivalents	137 309 434	145 583 295
Receivables from exchange transaction - consumer debtors	47 519 289	39 447 515
Receivables from exchange transaction - VAT	84 572 080	47 347 498
Receivables from non exchange transactions	15 775 982	16 635 507
Receivables from exchange transactions - long term	115 256	169 369
Investments in municipal entities	760 849	726 877
Investments in financial assets - shares	66 955	88 789
Maximum exposure to credit risk	656 119 845	599 998 850

Interest rate risk

The municipality limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

44. Transfer of functions between entities under common control

Transfer of functions between entities under common control occurring during the current reporting period

Entities involved in the transfer of functions were:

King Cetshwayo Fresh Produce Market (PTY) Ltd, and

King Cetshwayo District Municipality.

The following functions were transferred:

The expansion of an economic base of the District through the establishment of sustainable and wide ranging employment opportunities by strengthening and diversifying of economic sectors. The diversification of crop production by supporting emerging farmers in the growth of vegetable crops. The support of emerging farmers with inputs as well as technical and financial mentorship.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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44. Transfer of functions between entities under common control (continued)

The transfer was due to the loss of a primary contract with the Department of Education which resulted in going concern challenges and the intention of Council to establish a District Development Agency in the future, which will continue with the functions of the King Cetshwayo Fresh Produce Market (PTY) Ltd, amongst other developmental goals.

The transfer of function took place during the 2019/2020 financial year.

The effective date of the transfer is Friday, 14 February 2020.

Carrying amount of the assets acquired and liabilities assumed

Assets acquired

Property, plant and equipment	5 388 200	-
Intangibles	164 851	-
Receivables from exchange transactions - VAT	772 761	-
Receivables from non exchange transactions	42 729	-
Cash and cash equivalents	1 141 717	-
	7 510 258	-

Liabilities assumed

Payables from exchange transactions	1 074 727	-
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Difference between the carrying amounts of the assets acquired and liabilities assumed

	6 435 531	-
--	------------------	----------

Other information

In terms of GRAP 105 paragraph 58, the following are not applicable:

No consideration was paid to the transferor and no adjustments were required in terms of the basis of accounting as both entities apply the GRAP framework;

No contingent liabilities or contingent assets have been identified, and

No revenue and expenditure attributable to the transfer of functions subsequent to the transfer.

45. COVID-19

Repairs & maintenance of water infrastructure - COGTA - refer to note 23	34 687 240	-
Uniform & protective clothing, cleaning services & cleaning supplies - National Treasury MDRG- refer to note 23	146 488	-
Cleaning services & cleaning supplies - Public Contributions - refer to note 23	40 000	-
Delivery of water through tankers - DWS - refer to note 23	27 837 252	-
Purchase of water tankers - DWS - refer to note 23	34 975 289	-
Uniform & protective clothing, cleaning services & cleaning supplies and water tanks/stands - refer to note 8, 30 & 31	960 485	-
	98 646 754	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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A nationwide lockdown came into effect from 27 March 2020. The municipality has assessed the impact of COVID-19 on the balances at reporting date in the annual financial statements. The primary impact was that of the delayed and non payment by consumers for water and sanitation services. In this regard the municipality has reviewed each debtor at year end and made an impairment which has been disclosed under note 3. The impairment has thus taken into account the impact of COVID on the outstanding debtors.

Furthermore capital projects under construction were temporarily halted during the months of April 2020 and May 2020 as the appointed contractors adhered to the regulations.

Other than the impairment related to receivables from exchange transactions consumer debtors, no known significant impacts/impairments have been assessed for assets and liabilities.

The municipality in line with the issued circulars and regulations from National Treasury approved an adjustments budget in June 2020 to accommodate expenditure related to COVID-19. The municipality has applied the COVID-19 regulations for procurement.

As outline above, the municipality has incurred expenditure as a result of the global pandemic of COVID - 19. The expenditure was incurred in the main to effect repairs to and maintenance of water infrastructure, the supply of protective clothing, cleaning services, supplies and sanitising of work spaces and are reflected exclusive of VAT.

As part of the deviations disclosed in note 34, seven(7) deviations amounting to R992 936 related to COVID-19.

46. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of 2 698 193 467 and that the municipality's total assets exceed its liabilities by 2 698 193 467.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependent on the receiving of equitable share allocations.

47. Events after the reporting date

At the date of submission of the annual financial statements there were no known adjusting events.

The municipality has however ended the contract with a service provider for the operations and maintenance of municipal water (KCDMC: 2178/2019 dated 27 June 2019) effective 30 June 2020. The intention of the municipality is to enter into a new agreement with a water board to provide the contracted services performed by the previous service provider.

The said service provider has taken the municipality to the labour court in July 2020 regarding the application of section 197 pertaining to staff under the contract. On 3 September 2020, the labour court delivered judgment and ordered the municipality to accept the transfer of six hundred and sixty six employees from the service provider with effect from 1 July 2020. The municipality is in the process of appealing this judgment which will then suspend the implementation of same. An estimate of the financial effect of the subsequent non adjusting event is R128 585 361.

Appendix A

Schedule of external loans as at 30 June 2010

	Rate	Redeemable	Balance at Sunday, 30 June 2019	Received during the period	Redeemed written off during the period	Balance at Tuesday, 30 June 2020	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			Rand	Rand	Rand	Rand		
Annuity Loan			-	-	-	-	-	-
			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans								
INCA	11.95%	30/06/2023	13 553 713	-	2 820 367	10 733 346	-	-
ABSA	12.60%	30/06/2024	24 979 600	-	3 849 155	21 130 445	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			38 533 313	-	6 669 522	31 863 791	-	-
Government loans			-	-	-	-	-	-
Total external loans								
Annuity Loan			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			38 533 313	-	6 669 522	31 863 791	-	-

Appendix A

Schedule of external loans as at 30 June 2010

Rate	Redeemable	Balance at Sunday, 30 June 2019	Received during the period	Redeemed written off during the period	Balance at Tuesday, 30 June 2020	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Government loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		38 533 313	-	6 669 522	31 863 791	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

[illegible]

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Other assets

General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Total property plant and equipment

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	(471 588)	-	-	-	-	(471 588)	(471 588)
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(471 588)	-	-	-	-	(471 588)	(471 588)

Agricultural/Biological assets

Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Intangible assets

Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Investment properties

Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Total

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	(471 588)	-	-	-	-	(471 588)	(471 588)
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(471 588)	-	-	-	-	(471 588)	(471 588)

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	(1 443 358)	-	-	-	-	(1 443 358)	(1 443 358)
	-	-	-	-	-	-	(1 443 358)	-	-	-	-	(1 443 358)	(1 443 358)

Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Other assets

General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Total property plant and equipment

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	(1 443 358)	-	-	-	-	(1 443 358)	(1 443 358)
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(1 443 358)	-	-	-	-	(1 443 358)	(1 443 358)

Agricultural/Biological assets

Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Intangible assets

Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Investment properties

Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Total

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	(1 443 358)	-	-	-	-	(1 443 358)	(1 443 358)
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(1 443 358)	-	-	-	-	(1 443 358)	(1 443 358)

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

[illegible]

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated Depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix D

Segmental Statement of Financial Performance for the year ended
2018/2019 Restated **2019/2020**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	42 089 235	(42 089 235)	Executive & Council/Mayor and Council	-	67 960 747	(67 960 747)
521 827 767	72 580 617	449 247 150	Finance & Admin/Finance	740 080 390	70 450 788	669 629 602
-	35 882 264	(35 882 264)	Planning and Development/Economic Development/Plan	-	15 666 156	(15 666 156)
-	-	-	Health/Clinics	-	-	-
217 111	31 687 360	(31 470 249)	Comm. & Social/Libraries and archives	297 121	30 513 322	(30 216 201)
-	-	-	Housing	-	-	-
-	-	-	Public Safety/Police	-	-	-
-	-	-	Sport and Recreation	-	-	-
19 075 232	18 767 513	307 719	Environmental Protection/Pollution Control	18 376 189	19 269 653	(893 464)
76 362 033	46 798 930	29 563 103	Waste Water Management/Sewerage	7 972 142	9 470 645	(1 498 503)
-	-	-	Road Transport/Roads	-	-	-
261 892 127	535 474 328	(273 582 201)	Water/Water Distribution	278 636 245	617 141 159	(338 504 914)
26 218 252	21 048 662	5 169 590	Electricity /Electricity Distribution	26 091 261	22 307 747	3 783 514
235 568	59 573 736	(59 338 168)	Other/Air Transport	452 232	55 894 261	(55 442 029)
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
905 828 090	863 902 645	41 925 445		071 905 580	908 674 478	163 231 102
Municipal Owned Entities						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
Other charges						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
905 828 090	863 902 645	41 925 445	Municipality	071 905 580	908 674 478	163 231 102
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Appendix D

Segmental Statement of Financial Performance for the year ended 2018/2019 Restated 2019/2020

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
905 828 090	863 902 645	41 925 445	Total	071 905 580	908 674 478	163 231 102

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2010

Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
Rand	Budget Rand	Rand	%	
-	3 714 411	3 714 411	100	
-	4 249 988	4 249 988	100	
-	24 195	24 195	100	
-	-	-	-	
-	278 444	278 444	100	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	224 560	224 560	100	
-	3 590 274	3 590 274	100	
-	-	-	-	
-	2 173 652	2 173 652	100	
-	415 000	415 000	100	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	4 670 524	4 670 524	100	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
45 082	-	(45 082)	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
Development Planning Shared Services	COGTA	-	50 000	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	50 000	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.